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CANADA, *Tariff Board*

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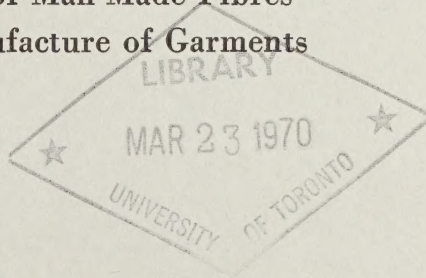
Report (by) *of*

THE TARIFF BOARD

in Reference[s]

Relative to the Investigation Ordered
by the Minister of Finance
respecting

Woven Fabrics of Man-Made Fibres
Used in the Manufacture of Garments



Reference No. 144



CANADA

Report by THE TARIFF BOARD

Relative to the Investigation Ordered
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The Honourable
The Minister of Finance
Ottawa.

Dear Mr. Minister:

I refer to your letters dated June 6 and June 20, 1969, in which you directed the Tariff Board to study and report on tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel and its effects on Canadian production of garments and wearing apparel.

In conformity with Section 4(2) of the Tariff Board Act, I have the honour to transmit the Report of the Board relating to woven fabrics of man-made fibres used in the manufacture of garments, in English and in French. A copy of the transcript of the proceedings at the public hearings accompanies the Report.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "J.C. Cullen", followed by a long horizontal flourish line.

Chairman

Explanation of Symbols Used

- Denotes zero or none reported
- .. Indicates that figures are not available
- * In statistical tables, indicates a reported figure which disappears on rounding, or is negligible
- (a) A small letter in brackets denotes a footnote to a table
- s.c. Denotes a Dominion Bureau of Statistics import or export statistical class
- (Vol. -, p. -) Denotes volume and page of the transcript of proceedings at the public hearing unless the context clearly indicates another cited reference

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LETTERS OF REFERENCE

Ottawa, June 20, 1969

Mr. L.C. Audette
Chairman
The Tariff Board
Ottawa.

Dear Mr. Audette:

I refer to my letter of June 6 in which I asked the Tariff Board to make a study of tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel.

After further consideration of this matter with my colleagues most directly concerned with this study, I find that it would be acceptable if the Board submitted its report on this Reference by the end of February, 1970.

Yours sincerely,

E.J. BENSON

Ottawa, June 6, 1969

Mr. L.C. Audette
Chairman
The Tariff Board
Ottawa.

Dear Mr. Audette:

As a result of the growing popularity of permanent-press type garments, the fabrics enumerated in item 56205-1 of the Customs Tariff have become an increasingly important raw material for Canadian manufacturers of garments and wearing apparel. These manufacturers, particularly those producing shirts, trousers, dresses and blouses, have represented that the rates of duty under this item discourage production in Canada and favour the importation of completely finished garments, particularly since they must rely to an appreciable extent on imported fabrics in order to meet consumer demand for style and variety.

I believe that the proper forum for the opposing interests in this case to debate the merits of their respective positions is the Tariff Board and that this issue should be resolved in the light of a full examination of the relevant facts by the Board, including any developments which may have occurred since 1960.

I therefore direct the Tariff Board to make a study and report under section 4(2) of the Tariff Board Act of tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel and its effects on Canadian production of garments and wearing apparel.

If the Board's study should indicate that different provisions should be made for these fabrics, either by amendment to the Customs Tariff or by regulation, I would ask the Board to include in its report recommendations regarding any such amendments or regulations. I would expect the Board, in making such recommendations, to take into account the existing rates of duty applicable on the materials used by the Canadian manufacturers of the fabrics enumerated in this item and also the existing rates of duty on the garments and wearing apparel made from these fabrics.

I would ask the Board to hold its hearings as soon as possible and to submit its report before the end of the year.

Yours sincerely,

E.J. BENSON

Companies and Agencies Which Made Representations

A public hearing was held at Ottawa on November 17, 18, 19, 20, 21, 24, 25 and 26, 1969.

Representations were received from the following:

Apparel Manufacturers Council of Canada	Toronto, Ont.
* British Man-Made Fibres Federation	Manchester, England
* O. Browne & Co. Ltd.	Montreal, Quebec
* The Canadian Chemical Producers' Association	Ottawa, Ontario
Canadian Men's Fine Clothing Manufacturers Association	Montreal, Quebec
The Canadian Shirt Manufacturers' Association	Ottawa, Ontario
The Canadian Textiles Institute	Montreal, Quebec
Man-Made Textiles Association	Montreal, Quebec
Textile Workers' Union of America	Don Mills, Ontario
United Textile Workers of America	Hamilton, Ontario

* not represented at the hearing

INTRODUCTION

In his letter, the Minister instructed the Tariff Board to make a study of "tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel and its effects on Canadian production of garments and wearing apparel". In general terms, this tariff item applies to broad-woven fabrics containing more than five per cent, by weight, of man-made fibres or filaments; the rates in effect since June 4, 1969, are 22½ p.c., B.P., and 25 p.c. plus 15 cents per pound, M.F.N.

Virtually all the discussion at the public hearing was in relation to the M.F.N. rate of duty. Representatives of the Canadian clothing industry urged that the existing rates of duty on other than yarn-dyed fabrics should be reduced to either 17½ p.c. or 20 p.c., B.P. and 20 p.c., M.F.N., and for yarn-dyed fabrics, to Free; the proposed change in the B.P. rate of duty on other than yarn-dyed fabrics was deemed to be of little importance by the clothing manufacturers.

The proposals relative to the B.P. rate would involve a reduction of 2½ to 5 percentage points from the existing rate. The combination of the ad valorem and specific duties on imports under the M.F.N. Tariff is equivalent to an ad valorem rate of 30 to 35 p.c., depending on the weight of the fabric. Therefore, the proposed rate of 20 p.c., M.F.N. on other than yarn-dyed fabrics would involve a substantial change from the existing rate.

The proposal of free entry for yarn-dyed fabrics for use in the manufacture of apparel, would, of course, involve substantial decreases in both the B.P. and M.F.N. rates.

These proposals were opposed by representatives of the primary textiles industry, who advocated that there be no change in the existing rates.

The clothing manufacturers said that the competition of low-price imports had forced them to enter the high-style, high-price field where their competition was mainly from the U.S.A. They claimed that they were at a disadvantage in meeting this competition because the cost of their principal raw material, the fabric, was much higher than to a manufacturer in U.S.A. They also claimed that the existing rate structure was anomalous because fabrics containing man-made fibres, which had become increasingly important in recent years, were dutiable at a rate equivalent to more than 30 p.c. ad valorem, under item 56205-1 while the garments produced from such fabrics were dutiable at 25 p.c., M.F.N., under item 56300-1 and, to a lesser extent, at 22½ p.c., M.F.N., under item 54305-1.

They said that textile manufacturers did not need all of the protection available under item 56205-1 and, indeed, did not use all of the available tariff protection in pricing their fabrics. They referred to studies on effective protection made on behalf of the Economic Council of Canada and said that the results indicated that the existing rate structure gives an advantage to producers of man-made fabrics relative to users of such fabrics.

The manufacturers of the relevant fabrics claimed that the present levels of protection were required to safeguard their continued viability. They said that the rates of duty on man-made fabrics were not comparable with those which applied to cottons because raw cotton was entered free of duty while man-made fibres and filaments were subject to duty when imported. They said their plants were modern and efficient but that the relatively small size of the Canadian market in conjunction with the great variety of materials demanded by the clothing industry placed them at a disadvantage to U.S. and other foreign manufacturers because of shorter runs involving more frequent costly changeovers in both weaving and finishing processes.

Their spokesmen claimed that there was a constant competitive pressure from the U.S.A. and other developed countries with which they have been able to cope with the existing tariff protection. They spoke of a "delicate balance" in their pricing policies to stay below the landed price of imports from the U.S.A. but not so much above landed prices of fabrics from Japan that increased imports would be attracted.

The fabric manufacturers said that the variety of fabrics available from Canadian mills was sufficient to meet virtually every need of the clothing industries and that the need to import fabrics was minimal in view of the wide and increasing variety available from domestic production. They presented evidence which purported to show that the proposed reductions in tariffs would have insufficient effect on the costs of clothing manufacturers to permit them to compete with low-price Asian imports and drew the Board's attention to the small volume of imports of most kinds of apparel from the U.S.A.

Their spokesman attacked the conceptual basis of effective protection and urged that it was an inappropriate measure of the amount of protection available.

The Statistical Problem

The available statistics relating to fabrics do not differentiate between those used for apparel and those used otherwise. As a result many of the statistics overstate the actual quantities of fabrics used for apparel. However, unless the trends indicated by the data are substantially different for non-apparel fabrics and unless non-apparel fabrics are a large proportion of the total, they will reflect the general situation for apparel fabrics.

Similarly, the data relating to apparel do not always differentiate between apparel made from fabrics relevant to this Reference and others such as blends containing wool. However, unless the trends in the use of non-relevant fabrics were significantly different than for the relevant fabrics these data, also, are useful for analysis.

Where it appears appropriate to do so, the readers' attention will be drawn to overstatements of quantity or value resulting from the inclusion of goods which are not within the terms of this Reference. The short time available for the preparation of this report, taking into account the time required for its translation and printing, did not allow more directly relevant data to be accumulated by special surveys.

THE FABRICS

The fabrics relevant to this Reference are used in the manufacture of garments or wearing apparel; they must be woven; they must contain more than five per cent, by weight, of man-made fibres or filaments or of glass fibres or filaments; they must exceed 12 inches in width, contain no wool or hair, and contain no more than 50 per cent, by weight, of silk. Because they are provided for elsewhere in the Customs Tariff, the Reference exclude fabrics with cut pile, bonded fabrics, knitted or other non-woven fabrics, and coated or impregnated fabrics where the weight of the textile fabric is less than two-thirds of the weight of the coated or impregnated fabric. An end-use item also provides for some otherwise relevant fabrics used by manufacturers of neckties.

Man-made fibres or filaments are usually divided into two groups. The celluloseics are derived from wood-pulp and include the acetates (acetate and triacetate) and the viscose group (various forms of rayon including polynosic). The non-celluloseics are basically derived from petroleum products and include the nylons (polyamides) polyesters, acrylics and spandex (polyurethane).

Generally, any natural fibres may be blended with a man-made fibre to achieve a particular result. However, the only natural fibre used in the manufacture of the fabrics discussed at the public hearing, was cotton.

Fabrics may contain spun yarns or filament yarns, or both. The yarns may consist wholly of one man-made fibre or filament, of mixtures of various man-made fibres or filaments, or of mixtures of man-made and natural fibres or filaments. Mixtures may be created by spinning intimate blends of different fibres into yarn, by spinning a fibre of one material around a filament of a different material, by plying different filaments or by using a different yarn in the warp than in the filling. Also, various forms of the same fibre may be used to achieve a desired effect.

The first process to which a man-made material is subjected, and which is considered to be a textile operation, is the extrusion of a filament, which may, after further treatment, become a filament yarn or a staple fibre. One staple fibre, either alone, or in combination with natural or other man-made fibres, is spun into yarn using generally similar equipment and processes as would be used in spinning cotton yarns. All woven fabrics contain warp yarns (which run the length of the fabric) and filling. The filling yarn may be inserted across the warp yarns in a variety of ways to achieve different textures and patterns. After weaving, fabrics may be bleached, dyed, printed, coated or treated to impart particular properties to the cloth. Thus, there is an almost infinite number of variations possible in the composition, construction and finish of apparel fabrics.

Up to very recently the acetate and viscose fabrics were by far the most important domestically-produced fabrics used in the manufacture of apparel. In 1961, they amounted to 71 per cent of the apparel fabrics made in Canada and in the period 1965-67, to 63 per cent. These celluloseic fabrics were mainly of filament yarns (77 per cent, 1965-67). Their production has been increasing but their

relative importance is declining because the production of other man-made fabrics, particularly the polyester-cotton blends, have risen more rapidly.

Table 1: Principal Kinds of Man-made Apparel Fabrics Shipped by Canadian Textile Manufacturers, 1961 and 1965-67

	<u>1961</u> million	<u>1965-67</u> sq. yds.	<u>1961</u> % of total	<u>1965-67</u>
Viscose or acetate	82.8	106.4	71.1	63.1
Nylon	8.1	14.6	6.9	8.7
Polyester	7.7	20.6	6.6	12.2
Other	9.9	11.2	8.5	6.6
Synth. fil. & cotton	<u>8.1</u>	<u>15.9</u>	<u>7.0</u>	<u>9.4</u>
Total	116.5	168.7	100.0	100.0
Filament yarns	77.9	102.8	66.9	60.9
Spun yarns	16.8	44.0	14.4	26.1
Mixed fil. & spun	<u>21.8</u>	<u>21.9</u>	<u>18.7</u>	<u>13.0</u>
	116.5	168.7	100.0	100.0

Source: Derived from DBS, Cat. No. 34-208

As the preceding table indicates, between 1961 and 1965-67, production of non-cellulosic and blended-fibre fabrics has increased more rapidly than of the celluloseics; this trend continued in 1968 and 1969, resulting in a very large change in their relative importance. By 1969, celluloseics represented only about 45 per cent of the total Canadian production of apparel fabrics.

The increase in Canadian shipments of man-made fabrics and of blended fabrics containing both man-made and natural fibres has accompanied the development of new finishes to impart desirable qualities to the fabrics and to the garments made from them. Such fabrics stand up to the processing required for permanent press finishes much more satisfactorily than do all-cotton fabrics; the latter tend to be weakened during the curing. Various durable-press or permanent-press finishes have been developed, some of which require no further treatment after the fabric stage (pre-cured fabrics). With others, the chemical treatment is applied to the fabric but the curing is done after the garment has been made (post-cured fabrics). Among the best known of the latter is the Koratron process. Both the fabric manufacturer and the garment maker must pay a licence fee for the use of this finish. For the fabric this was said to be 5/8ths of one per cent of the mill's selling price; on the garment it was two per cent of the wholesale selling price but has been reduced to one per cent. Various labels are included in the licence fee. (Vol. 8, p. 864, 865). Other durable-press finishes are available and are used by fabric manufacturers.

Because permanent press finishes may render fabrics more susceptible to soiling or staining than untreated fabrics, treated fabrics may be given a "soil release" finish to counteract this undesirable effect. The principal other finish which is commonly

applied to fabrics is water repellancy; this finish is, of course, applied mainly to fabrics intended for rainwear but is also frequently applied to a variety of sportswear and similar apparel.

The Canadian Market for Man-made Apparel Fabrics

It is impossible to establish, with any precision, the size of the Canadian market, for the apparel fabrics relevant to this Reference. However, the order of magnitude of the domestic market can be estimated by using various data published by the Dominion Bureau of Statistics and the Canadian Textiles Institute (C.T.I.) and by referring to the expert opinion of producers and users who appeared at the public hearing. The estimates, which are shown in the table which follows, give a reasonable approximation of the magnitudes involved.

Table 2: The Canadian Market for Broad-woven, Man-made and Blended, Apparel Fabrics, 1968 and 1969

	<u>Shipments</u>	<u>Imports</u>	<u>Exports</u>	<u>Apparent Consumption</u>
		- million square yards	-	
1968	194.0	55.2	14.0	235.2
1969	203.7	60.4	13.8	250.3
		- million dollars	-	
1968	106.7	34.6	7.1	134.2
1969	110.0	40.5	7.5	143.0

Source: Based on DBS and C.T.I. data

The estimates suggest a market in Canada, in 1969, for about 250 million square yards valued at \$143 million, of the relevant apparel fabrics. The dependence of Canadian fabric manufacturers on the Canadian clothing industries is indicated by the small proportion of total shipments that are exported. The data also indicate that Canadian manufacturers of man-made apparel fabrics are currently supplying about 80 per cent of the apparel fabrics used in Canada.

In table 3, the Board has estimated the Canadian market for man-made apparel fabrics during the period 1961 to 1969. The major assumption in the construction of this table is that apparel fabrics have been 60 per cent of total imports in each year. On the basis of the available information this appears to be a realistic assumption; the overall picture would not be changed significantly by the use of another, reasonable assumption. Estimated imports for 1968 and 1969 are not completely comparable with earlier years.

Table 3: The Apparent Market in Canada, for Man-made Apparel Fabrics, 1960-69

	<u>Shipments</u>	<u>Imports</u>	<u>Exports</u>	<u>Apparent</u>	<u>% Imports</u>	<u>% Exports</u>
	-	million square yards	-	Market	of Market	of Shipments
	-		-	-	per cent	-
1961	113	30.6	2.3	141.3	21.7	2.0
1962	121	33.6	3.3	151.3	22.2	2.7
1963	129	41.4	4.6	165.8	25.0	3.6
1964	138	44.4	6.2	176.2	25.2	4.5
1965	146	46.8	6.4	186.4	25.1	4.4
1966	159	43.8	9.2	193.6	22.6	5.8
1967	162	43.2	9.2	196.0	22.0	5.7
1968	194	55.2	14.0	235.2	23.5	7.2
1969	204	60.4	13.8	250.3	24.1	6.8

Source: Based on data published by DBS and the C.T.I.

In spite of some lack of precision of the data, it is apparent that Canadian shipments of the relevant apparel fabrics have increased very substantially, 1961-69, though not by as much as the increase in Canadian use of such fabrics. The difference was made up by imports, which nearly doubled during this eight-year period. Currently, imports appear to account for about 24 per cent of the yardage consumed in Canada. Exports of apparel fabrics have also increased during the period under review, but they have been only six to seven per cent of Canadian shipments in recent years. Thus, although Canadian fabric manufacturers are now somewhat less dependent on the domestic clothing industries as a market for their products than at the beginning of the decade, sales to domestic customers still account for 94 per cent of their output.

As the preceding indicates, Canadian production of man-made and blended fabrics has increased rapidly during the 1960's. To a large extent this growth has been at the expense of natural-fibre fabrics, particularly those of cotton.

Table 4: Shipments of Broad-Woven Fabrics, Selected Years, 1961-68

	<u>Wool</u>	<u>Cotton</u>	<u>Man-made</u>	<u>Wool</u>	<u>Cotton</u>	<u>Man-made</u>
	-	million square yards	-	-	per cent of total	-
	-		-	-		-
1961	33.2	323.1	145.7	6.6	64.4	29.0
1963	37.6	346.5	175.6	6.7	61.9	31.4
1965	39.8	373.1	205.4	6.4	60.3	33.2
1967	37.3	322.7	214.6	6.5	56.2	37.3
1968(a)	35.7	315.0	246.0	6.0	52.8	41.2

(a) Not completely comparable with earlier years; C.T.I. data

Source: DBS, Cat. Nos. 34-205, 34-208, 34-209

The declining importance of wool and cotton, broad-woven fabrics relative to those of man-made materials is evident from table 4. Cotton fabrics are more vulnerable to the competition of the man-made fabrics than woollens and the effect of the increasing popularity of man-made fabrics is indicated by the decline in output which has occurred since 1965. The decline in production of cotton fabrics and the stability of woollen goods output cannot be attributed to increased imports. In fact, imports of both cotton and woollen broad-woven fabrics have declined since the mid-1960's while imports of man-made fabrics have increased substantially.

The fabrics which are relevant to this Reference are used in two principal ways: as linings and as the shells of various garments. Linings accounted for 42 per cent of the yardage shipped by Canadian manufacturers in recent years and averaged about 68.6 million square yards, annually, in the three years, 1965-67, the latest for which published data are available.

Of the remaining 95.4 million square yards which can be identified according to end-use, 2.6 million yards (2.8 per cent) were used for lingerie; 28.2 million yards (29.6 per cent) were dress fabrics; and 64.5 million square yards (67.6 per cent) were for "other apparel", that is, a large variety of men's, women's and children's clothing, such as slacks, shirts and blouses.

Table 5: Relative Importance of Principal Apparel Uses,
for Identifiable Domestic Fabrics of Reference
1961, 1965-67 and Average 1965-67

	<u>1961</u>	<u>Average</u> <u>1965-67</u>	<u>% change</u> <u>from 1961</u>	<u>1961</u>	<u>Average</u> <u>1965-67</u>
	million sq. yds.		per cent	% of total	
Linings	33.1	68.6	+107.3	28.9	41.9
Lingerie	8.2	2.6	-68.3	7.2	1.6
Dresses	27.9	28.2	+ 1.1	24.4	17.2
Other Apparel	<u>45.2</u>	<u>64.5</u>	<u>+42.7</u>	<u>39.5</u>	<u>39.3</u>
Total (a)	114.3	164.0	+43.5	100.0	100.0

(a) Excludes fabrics used for neckwear

Source: Derived from DBS, Cat. No. 34-208

Shipments of the relevant Canadian-made apparel fabrics have increased by 49.7 million square yards, or 43.5 per cent, during the six-year period covered by the preceding table. Most of the increase, 35.6 million yards, is from sales of linings and most of the remainder is from sales for the manufacture of "other apparel". Dress fabrics shipments were essentially unchanged during the period under review and domestic fabrics used for lingerie actually declined by a substantial amount.

The changes in the relative importance of particular end-uses for domestic fabrics is closely related to the kinds of fabrics involved. For example, Canadian-made linings are almost entirely acetate although some viscose is produced; the large increase in shipments of linings, noted earlier, reflects a comparable increase in combined sales of these fabrics. The following table shows the approximate average annual shipments, 1965-67, by major end-use, of Canadian-made fabrics according to the principal man-made fibre or filaments from which made.

Table 6: Average Annual Shipments by Canadian Manufacturers of Principal Man-made Apparel Fabrics, by Identifiable Major End-Use, 1965-67

	<u>Linings</u>	<u>Lingerie</u>	<u>Dresses</u>	<u>Other Apparel</u>	<u>Total</u>
	- million square yards -				
Over 85% viscose or acetate	66.0	1.4	23.9	13.6	104.8
Nylon & mixtures	0.1	0.7	0.4	24.6	25.9
Polyester & mixtures	..	..	2.3	18.1	20.4
All Other	..	..	3.9	11.5	15.5
Total	66.1	2.1	30.5	67.9	166.6

Source: Based on DBS, Cat. No. 34-208

It is apparent, from the table, that the principal use of domestic viscose and acetate apparel fabrics is for linings, with substantial quantities also being used in the manufacture of dresses and "other apparel". The fabrics made from nylon and mixtures, polyester and mixtures and other man-made fibres or filaments, are used mainly for the manufacture of apparel such as slacks, shirts, blouses and sportswear.

Although the preceding tables are useful in establishing the overall situation with respect to shipments of domestic man-made apparel fabrics in the three-year period, 1965-67, changes have occurred very rapidly since then and 1969 data show significant differences. Since 1967, the latest year included in the preceding averages, domestic production of apparel fabrics has increased very substantially, largely as a result of a sharp rise in output of fabrics containing polyester fibres or filaments. The extent of the change is suggested by a spokesman for Dominion Textile, the dominant Canadian producer of such fabrics, who said his company's output of polyester-cotton fabrics had risen from 7.5 million square yards in 1965 to about 44 million in 1968. (Vol. 7, p. 857). Thus, this one company's output of this type of fabric accounted for 23 per cent of the estimated total sales of all apparel fabrics, in 1968, inclusive of linings. Relative to fabrics used for shells of garments only, that is, exclusive of linings, the 44 million square yards represent 35 per cent of the sales of all apparel fabrics by Canadian textile manufacturers.

An indication of the changes in Canadian use of domestically-produced apparel fabrics is given in the following table. For 1961, the data are derived from DBS statistics; for the years 1967, 1968 and 1969, the data are based on a survey made by the Tariff Board.

Table 7: Comparisons of Major Kinds of Man-made Apparel Fabrics Sold in Canada, by Canadian Manufacturers, 1961 and 1967-69

	<u>1961</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	- per cent of total apparel fabrics -			
Over 85% viscose or acetate	71.1	56.1	48.7	44.8
Nylon & mixtures	6.8	7.2	8.3	8.9
Polyester & mixtures	7.3	22.1	30.4	32.8
All Other	<u>14.8</u>	<u>14.6</u>	<u>12.6</u>	<u>13.6</u>
	100.0	100.0	100.0	100.0

Source: 1961 derived from DBS data; 1967-69 from T.B. survey

It is evident, from table 7, that Canadian shipments of fabrics containing polyester fibres or filaments are increasing at a very rapid rate; in 1969 they accounted for nearly one-third of all man-made apparel fabrics compared with about seven per cent of the total in 1961, only eight years previously. Polyester-blended fabrics have almost displaced the traditional cotton fabric in men's shirts and such fabrics are being used to an increasing extent in other apparel and non-apparel uses. It should be noted that Canadian producers' sales of apparel fabrics to Canadian clothing manufacturers increased by more than one-third between 1967 and 1969.

The Man-made Textile Industry

The man-made apparel fabrics industry is characterized by a small number of companies most of which tend to specialize in the production of apparel fabrics for particular uses. A spokesman for the Canadian Textiles Institute stated that there are only seven Canadian companies which are large producers of woven apparel fabrics that would be classified under item 56205-1 and that these seven companies account for more than 90 per cent of the Canadian production of the relevant apparel fabrics. (Vol. 3, p. 487, 488)

The seven companies are listed below, together with the locations of their plants.

<u>Company</u>	<u>Plant Locations</u>
Associated Textiles of Canada, Limited	Louiseville, Que.
Bruck Mills Limited	Cowansville, Sherbrooke & St. Jean, Que.
Chemcell Limited	Drummondville, Montmagny & Coaticook, Que.
Consolidated Textiles Limited	St. Hyacinthe, Joliette & Magog, Que.
	Alexandria, Ont.

Dominion Textile Limited	Magog, Sherbrooke, St. Jean, St. Timothée & Valleyfield, Que. Long Sault, Ont.
Doric Textile Mills Limited	St. Jean, Que.
Rayonese Textile Company Limited	St. Jerome, Que.

Most of the seven spin and process yarns and most have their own dyeing, printing and finishing plants. Only one of the group, Chemcell, is also a producer of filament yarn and staple fibre. Consolidated and Rayonese have no spinning facilities and, therefore, purchase their yarns. (Vol. 7, p. 861) The principal man-made fibres used by these companies are viscose, acetate, nylon, polyester, acrylic and spandex. Substantial quantities of natural fibres, principally cotton, are also used by them in the production of blended-fibre and mixed-fibre, fabrics.

The specialization of the various companies in the production of fabrics for particular apparel are given below; where a reference is not given, the quotation is from Volume 7 of the Transcript.

<u>Area of Fabric Specialization</u>	<u>Company</u>
Dresses	Bruck "particularly important" Associated, Consolidated and Dominion Textile "also significant"
Rainwear and outerwear	Consolidated "very heavy in that field" Bruck, Chemcell and Dominion Textile "also fairly heavy in that field"
Men's wear, slacks & suitings	Associated "is a major factor in Canada" Dominion Textile "also in that field" Bruck "in a smaller degree"
Dress shirts	Dominion Textile (Vol. 6, p. 750) - the company is the only producer of polyester-cotton shirtings in Canada
Sport shirts	Dominion Textile - Bruck is a supplier "to a very limited degree" (Vol. 3, p. 355)
Linings	"Chemcell is absolutely predominant" with about 70-75 per cent of the total market; Rayonese and Doric also produce linings in significant volume (Vol. 5, p. 663, 664) Rayonese produces pure viscose linings and "practically nothing else" (Vol. 2, p. 253)

A large number of sample apparel fabrics was submitted to the Board by the fabric manufacturers to indicate the great variety which was available from Canadian mills. These samples were intended to include fabrics which were representative of the large-volume

sales items of different manufacturers. A review of these samples generally supports the dominance of particular companies as suppliers of fabrics for certain apparel uses.

The foregoing suggests that for shirtings the only significant Canadian supplier is Dominion Textile; for linings of other than pure viscose Chemcell is virtually the only domestic supplier with Rayonese being the only producer of pure viscose linings. The dominant companies in other apparel fabric fields appear to be Bruck for dress fabrics, Consolidated for rainwear and outerwear materials and Associated for slacks and suitings. Although others of the group of seven companies produce fabrics for uses in which they do not hold a dominant position, their output of these other fabrics would be limited in quantity relative to the dominant producer in that field and the choice of constructions and patterns would, therefore, also be relatively limited.

Sales of apparel fabrics were an important part of the income of each of the seven companies; the importance to each, as estimated by their spokesmen at the public hearing, or as known from other information, is given below.

<u>Company</u>	<u>Man-made Apparel Fabrics Sales As % of Total Fabric Sales</u>
Associated Textiles	55% of total sales (Vol. 4, p. 632)
Bruck Mills	65% (Vol. 6, p. 814)
Chemcell	over 50% (Vol. 5, p. 667)
Consolidated Textiles	92-95% (Vol. 6, p. 786)
Dominion Textile	20% of total sales (Vol. 6, p. 738)
Rayonese	about 100% (Vol. 2, p. 253)
Doric	about 100% (Vol. 3, p. 498; Vol. 5, p. 663)

Imports of Man-made Apparel Fabrics

It was estimated, earlier, that in 1968 and 1969 imports of man-made and blended apparel fabrics were about 24 per cent of the yardage and 27 per cent of the value, of the total of these apparel fabrics used in Canada. Although this is a slightly larger share of the domestic market than in 1966 and 1967 it is less than the share that imports are of all broad-woven, man-made fabrics consumed in Canada; for all broad-woven, man-made fabrics, imports were between 30 to 33 per cent of Canadian use between 1959 and 1969.

A survey of imports entered under tariff item 56205-1, during the first six months of 1969, indicated that 56 per cent of the value of relevant imports, identifiable by end-use, were of apparel fabrics. Almost two-thirds of these were polyester-cotton blended fabrics; no other identifiable apparel fabric accounted for more than seven per cent of the total. Slightly more than 97 per cent of the polyester-cotton fabrics and 94 per cent of the rayon-polyester fabrics were for apparel use.

The tabulation of the survey results, which follows, indicates the relative importance of the various kinds of man-made apparel fabrics currently being imported into Canada under tariff item 56205-1. A recent survey by the Department of Industry, Trade and Commerce tends, generally, to show similar results.

Table 8: Value of Apparel Fabrics Imported Under Item 56205-1 As Percentage of Value of Identifiable Imports of All Fabrics Under This Item, January to June, 1969

Statistical Class	Short Description	Apparel Fabs. As Percentage of All Fabs. in S.C.	Percentage of All Apparel Fabrics
		- % of identifiable imports -	-
375-19	viscose & acetate	29.3	5.5
375-39	nylon	34.8	6.5
375-45	polyester	35.6	3.8
377-65	rayon/polyester	94.2	7.0
377-75	polyester/cotton	97.4	65.2
Other	various mixtures, mainly	-	<u>12.0</u> 100.0

Source: Tariff Board Survey

Statistics relating to imports under tariff item 56205-1 are available only since 1966. They indicate that, in 1969, about 57 per cent came from the United States, 21 per cent from Japan and 14 per cent from continental Western European countries. Other Asian low-price imports and imports from state-trading countries are about five per cent of the total; relative to Canadian consumption, imports under 56205-1 from these countries are, as yet, an unimportant factor. Imports under the British Preferential Tariff amount to less than five per cent of the total.

The statistics indicate that in 1961 the U.S.A. supplied about 75 per cent of the total imports of broad-woven man-made fabrics and Japan only about 10 per cent. In the following table, imports under the most relevant statistical classes have been tabulated; imports from Britain have been included with those from continental Western European countries.

Table 9: Imports of all Broad-Woven Man-made Fabrics, by
Principal Country of Origin, Selected Years,
1961-69

	<u>Japan</u>	<u>U.S.A.</u>	<u>Western</u> <u>Europe</u>	<u>Total</u>	<u>Japan</u>	<u>U.S.A.</u>	<u>Western</u> <u>Europe</u>	<u>Total</u>
	-	million pounds	-	-	-	million dollars	-	-
1961	1.2	8.1	2.4	11.9	1.9	18.4	4.0	24.5
1963	2.8	11.1	3.0	18.6	4.5	25.9	5.7	37.1
1965	5.6	13.7	4.2	25.6	8.2	30.5	8.9	49.7
1967	6.8	13.7	5.0	27.0	10.0	31.5	11.2	54.2
1968	7.9	15.1	5.3	30.8	13.9	33.5	12.2	62.2
1969(a)	8.2	18.5	6.4	36.6	16.3	40.9	15.8	76.5
Change								
1961-69	7.0	10.4	4.0	24.7	14.4	22.5	11.8	52.0

(a) Partly estimated

Source: DBS, Cat. No. 65-007

Voluntary Restraints

In recent years, Canada has negotiated arrangements with a number of countries whereby they have agreed to limit their shipments of certain textile products to this country. Most of the arrangements have related to cotton goods under the Long-Term Arrangement Regarding International Trade in Cotton Textiles. However, blended fabrics containing man-made fibres and more than fifty per cent, by weight, of cotton, could be affected under that arrangement. Restraints on exports to Canada have been applied to broad-woven cotton fabrics by Japan, Korea, Taiwan, Hong Kong and the Chinese People's Republic. In 1961, Japan agreed to limit shipments of nylon fabrics to 2.6 million square yards; this amount has been increased gradually to 3.8 million square yards, in 1969, with the proviso that it apply only to fabrics used in the manufacture of garments. It has also been announced that discussions with the Japanese are continuing concerning polyester-cotton fabrics. Since 1967 there have been arrangements with Korea respecting "broad woven fabrics substantially of nylon", and earlier in the decade there were restraints applied by the Chinese People's Republic to "fabrics wholly or substantially of man-made fibres".

Exports

The dependence of Canadian mills on their domestic customers is illustrated by the relatively small percentage of their output which is exported. Although exports of fabrics classified in the statistical classes relevant to this Reference have been increasing, they have exceeded seven per cent of shipments in only one year, 1968, when they were 7.2 per cent of Canadian shipments.

Table 10: Exports of Broad-woven, Man-made Fabrics,
Selected Years, 1961-68

	<u>U.K.</u>	West <u>Indies</u>	Other <u>B.P.</u>	<u>U.S.A.</u>	<u>Total</u>	
	-	thousand	pounds	-	'000 lb.	\$'000
1961	350.5	98.3	94.6	30.6	670.5	1,722
1963	587.5	200.4	157.6	65.5	1,325.7	3,393
1965	509.8	341.1	320.4	168.8	1,841.6	4,477
1967	974.3	453.5	437.0	440.6	2,744.3	5,657
1968	1,257.6	483.0	569.2	704.0	3,532.6	7,121

Source: DBS, Cat. No. 65-004

Since 1961 the major market for Canadian exports has been the United Kingdom, which took at least one third of the total in each year. In 1968, 36 per cent of the volume and 43 per cent of the value of exports were to the U.K. With the possible entry of the United Kingdom into the European Common Market, and the resultant loss of the existing margin of preference and the probability of facing a "reverse" preference, this market may be difficult to retain. In 1968, 17 per cent of the value of exports was to the U.S.A. and 8 per cent was to Commonwealth territories covered by the Canada-West Indies Trade Agreement. The U.K., the U.S.A. and the West Indies, together, have accounted for about two-thirds of Canada's exports of the man-made fabrics which would be classified under tariff item 56205-1, if imported.

THE CANADIAN CLOTHING INDUSTRY

For the purposes of this Reference, the Canadian clothing industry is taken to include the manufacturers of men's, women's and children's clothing. In 1967, the latest year for which data were available, there were 1,296 establishments classified in these three industry groups. Shipments of goods of their own manufacture, by these establishments, were valued at \$954 million, of which men's clothing was 43 per cent, women's clothing 46 per cent and children's clothing 11 per cent.

The Canadian clothing industry is located mainly in major urban centres such as Montreal and Toronto but many plants are located in smaller centres. The industry is concentrated largely in Quebec, where 63 per cent of the establishments are located. Quebec accounts for 63.9 per cent of the value of shipments; most of the remainder is accounted for by Ontario.

The goods produced by the men's, women's and children's clothing industries include apparel of all descriptions made from almost every conceivable kind of fabric, whether of natural or man-made yarns or mixtures of these. However, although almost any plant classified in the clothing industries probably uses a variety of natural and man-made fabrics, the relative importance of particular

kinds of fabrics varies between industries and even between manufacturers of particular kinds of apparel within an industry. For example, dress shirt factories are classified in the men's clothing industry and would use man-made and blended fabrics to a considerable extent; in contrast, manufacturers of men's fine suits would rely largely on wool fabrics and their purchases of man-made fabrics would be mainly for use as linings.

The Canadian Textiles Institute estimates that, in 1967, cotton fabrics accounted for 46 per cent of total Canadian consumption of all broad-woven fabrics, man-made fabrics for 45 per cent and woollens for 9 per cent. Although these figures apply to fabrics for all uses, they suggest the current, relative importance of the different kinds, for apparel use. The comparable figures for 1959 are as follows: cotton fabrics 54 per cent, man-made fabrics 34 per cent and woollen fabrics 12 per cent. In 1967 Canadian use of cotton fabrics and man-made fabrics were about the same; by 1969, man-made fabrics had almost certainly overtaken cottons.

The Canadian Market for Apparel

Canadian consumption of the kinds of apparel manufactured by the men's, women's and children's clothing industries had a whole-sale value of one billion dollars in 1967, an increase of 53 per cent from 1961. Imports of the relevant clothing, in total, varied from a low of 3.7 per cent of total sales in 1963, to a high of 5.9 per cent of the total, in 1967. Exports have been a very small part of the shipments by these industries; in 1967 exports were almost one per cent of the value of their shipments.

Table 11: The Canadian Market for Men's, Women's and Children's Clothing, Selected Years, 1961-68

	<u>Shipments</u>	<u>Imports</u>	<u>Exports</u>	<u>Apparent Market</u>	<u>% Imports of Market</u>
		-	million dollars	-	
1961	630	31	5	657	4.7
1963	735	27	5	757	3.6
1965	857	40	7	890	4.5
1966	935	43	8	970	4.4
1967	954	57	9	1,002	5.7
1968	..	73	14	..	..
Increase					
1961-67	324	26	4	346	

Source: DBS, Cat. No. 34-216 and 34-217

The Canadian market for apparel has grown substantially since 1961 with most of the increased demand being supplied by domestic production. However, imports have been increasing more rapidly, in recent years, than shipments. Exports have also been rising but they have been less than one per cent of shipments in all years but one, since 1961.

Industry Shipments

Shipments by the men's, women's and children's clothing industries account for more than 80 per cent of shipments of the apparel industries, which also include the fur, hat and cap, miscellaneous clothing and foundation garment industries. The value of shipments by the three major groups rose by \$324 million, 1961-67. The changes in value of shipments, by each of the industries, are shown in table 12.

Table 12: Shipments of Men's, Women's and Children's Clothing, Selected Years, 1961-67

	Industry Group			<u>Total</u>
	<u>Men's</u>	<u>Women's</u>	<u>Children's</u>	
	- million dollars -			
1961	279.7	277.5	73.3	630.4
1963	326.9	324.1	84.4	735.4
1965	378.1	385.4	93.5	857.1
1966	410.0	426.5	98.7	935.1
1967	408.7	443.5	101.9	954.1
Increase				
1961-67	129.0	166.0	28.6	323.7

Source: DBS, Cat. No. 34-216 and 34-217

The largest increase in value of shipments has been by the women's clothing industry with a percentage increase of 60 per cent, 1961-67. Shipments of men's clothing also increased substantially, in this period, the change being 46 per cent and shipments of children's clothing rose by 39 per cent.

The total shipments, by industry groups, tends to obscure the situation respecting particular kinds of clothing. For example, the general grouping entitled "Men's Clothing Industry" includes sub-industry groups which tend to be fairly distinct as, for example, manufacturers of dress shirts, suits, slacks. A similar situation applies to the grouping "Women's Clothing".

At the public hearing, most of the discussion related to garments such as dress shirts, slacks (both men's and women's), dresses and blouses, that is, apparel for whose manufacture man-made or blended fabrics were used in significant quantities. For example, men's fine suits, which are made largely from woollen fabrics, were discussed only in respect of their linings.

In table 13 is shown the shipments of several types of garments, in 1961 and in either 1966 or 1967, depending on the availability of data. The value of shipments of ladies' and children's apparel shown in the table accounted for 52 per cent in 1961 and 48 per cent in 1966, of the total shipments by these industries in those years. The value of the men's clothing listed was 55 per cent in 1961 and 60 per cent in 1967 of the total shipments of the men's clothing industry exclusive of suits, overcoats and similar goods.

Table 13: Shipments of Selected Garments, 1961 and 1967

Shipments						Man-made & Blends As Per Cent of Quantity Shipped	
Unit	Quantity		Value		1961	1967	
	1961 '000 units	1967	1961 \$ million	1967 per cent			
<u>Men's & Youth's</u>							
Dress shirts	doz.	631	793	20.4	25.3	9.0	39.7
Sport shirts	doz.	651	759	20.4	26.8	15.4	32.7
Work shirts	doz.	151	214	4.2	6.2	0.0	18.7
Rainwear	no.	418	815	5.1	13.0	..	77.7
Slacks	no.	3,773	7,444	22.6	46.8	25.5	59.6
Work pants	doz.	407	491	14.1	18.4	0.0	10.4
Short coats	doz.	271	428	24.0	30.5	44.6	50.9
			<u>1966</u>	<u>1966</u>			
<u>Women's and Children's</u>							
Dresses	no.	13,198	15,348	96.5	129.5	42.6	55.2
Blouses	doz.	1,003	1,183	22.0	30.4	25.5	54.2
Slacks	no.	9,562	13,724	20.1	41.7	6.7	46.1
Skirts	no.	5,845	5,424	20.5	22.7	21.8	56.4
Short coats	doz.	156	177	10.4	12.6	30.1	85.4
Slips	doz.	775	825	13.6	13.3	74.3	45.9

Source: Derived from DBS, Cat. Nos. 34-216, 34-217

It is evident that, even in this relatively short period of five or six years, very substantial changes have occurred in the extent to which man-made and blended fabrics are used in the manufacture of clothing, in Canada. Of the men's clothing listed, only work shirts and pants were still made mainly from natural-fibre fabrics in 1967; one-third or more of all other men's garments were made from man-made or blended fabrics. The use of such fabrics has been more common in women's than in men's clothing for many years, but even in this group substantial changes occurred in the six-year period, 1961-67.

Imports of Clothing

Imports of clothing made, mainly, from woven fabrics have increased very rapidly in recent years and were 136 per cent larger, in value, in 1968 than in 1961. The value of imports in the first nine months of 1969 were 16.6 per cent larger than in the corresponding period of 1968 and it is probable that imports during 1969 will be of the order of \$80 million, roughly double those in 1965 (1965 was \$39.9).

Most of the increase in imports is of apparel made from man-made and blended fabrics. The Canadian Textiles Institute (C.T.I.) estimates that imports of apparel, in terms of yards of woven fabric, rose from 50 million square yards in 1963 to 128 million square yards in 1968, an increase of 78 million square yards; garments made from man-made fabrics were estimated to have accounted for 70 of the 78 million square yards.

Table 14: Imports of Garments in Terms of Fabric Yardage, by Type of Fibre, 1963-68

	<u>Man-made</u>	<u>Cotton</u>	<u>Wool</u>	<u>Total</u>
	-	million square yards	-	
1963	11.0	37.6	1.3	49.9
1964	12.1	46.5	2.5	61.2
1965	17.7	48.0	1.8	67.5
1966	21.3	47.8	1.8	71.0
1967	33.5	52.7	1.9	88.1
1968	80.9	43.1	4.0	127.9
Increase 1963-68	69.9	5.5	2.7	78.0

Source: C.T.I., Pounds and Square Yard Study

It is clear, from table 14, that there has been no particular trend with respect to cotton and woollen fabric garments, during most of the 1960's. However, imports of garments of man-made fabrics rose steadily up to 1968 and then increased sharply. The C.T.I. data indicate that man-made apparel, which were only about one-fifth of imports in 1963, were approaching two-thirds of the total in 1968.

Most man-made apparel imports are from Japan, Hong Kong and Taiwan; these three countries account for about 80 per cent of such imports into Canada, according to the C.T.I., with Japan being, by far, the largest single source of imports. However, as will be indicated later in this section, the impact of the imports of Asian products is on particular garments and for others the principal competition arises in the U.S.A. and Europe.

The C.T.I. study, to which reference was made earlier, also gives estimates of the origin of garment imports on a yardage basis; a summary of some of these data is given in table 15.

Table 15: Imports of Man-made Garments, In Terms of Fabric Yardage, by Principal Origin, 1963-68

	<u>Japan</u>	<u>Hong Kong</u>	<u>Taiwan</u>	<u>U.S.A.</u>	<u>Other</u>	<u>Total</u>
		-	million square yards		-	
1963	6.6	1.2	0.5	1.4	1.3	11.0
1964	4.4	2.2	2.9	1.6	1.1	12.1
1965	9.7	2.3	1.7	2.6	1.4	17.7
1966	12.1	3.8	1.5	2.7	1.3	21.3
1967	14.4	11.1	4.9	3.1	2.9	33.5
1968	29.8	19.4	14.1	4.1	13.5	80.9

Source: C.T.I., Pounds and Square Yard Study

The underlying factors for the expansion of imports from Asian countries are the subject of the following comments by "The Economist".

"Japan now has the second largest man-made fibre industry in the world; is the main supplier of man-made fibre to the rest of Asia; and is reputed to have the cheapest of man-made fibre prices.

"The danger, as the Americans see it, is that Asia now has a source of cheap man-made fibre, which, together with its cheap labour, makes it extremely competitive in the new man-made field as well as in cotton.

"The pressure is felt most acutely in the most labour intensive sector of textiles -- the making up of garments".
(The Economist, Nov. 22, 1969, p. 69)

Imports of clothing made from the fabrics relevant to this Reference are classified mainly under tariff item 56300-1. This item applies to goods made from fabrics which contain 50 per cent or more of man-made fibres and bears rates of 20 p.c., B.P. and 25 p.c., M.F.N. Under item 54305-1, which includes goods made from fabrics containing less than 50 per cent, by weight, of man-made fibres, the rates are 22½ p.c., for imports both from B.P. and M.F.N. countries. Imports under the two items are shown in the table which follows.

Table 16: Imports of Goods Entered Under Tariff Items
56300-1 and 54305-1, 1966-69

<u>Year</u>	<u>Under Item</u> <u>56300-1</u> - thousand dollars	<u>Under Item</u> <u>54305-1</u> -	<u>Per Cent Under Item</u> <u>56300-1 of Total</u> per cent
1966	29,641	5,920	83.4
1967	42,210	10,123	80.7
1968	54,553	13,589	80.1
<u>Jan.-Sept.</u>			
1968	39,669	10,347	79.3
1969	51,788	13,345	79.5

Source: Derived from DBS data

Tariff items 56300-1 and 54305-1 apply to a large variety of goods other than clothing. For example, item 56300-1 applies to sausage casings, bonded fabrics, friction tape and brushes in addition to clothing. However, it is clear from the table that 56300-1 is the predominant item under which clothing made of man-made fabrics is imported.

Because of the variety of goods, other than apparel, classified under these two items, a tabulation was made of imports of a selection of specific articles of clothing by region of origin. Some

of the garments covered by the data would be imported under other tariff items, but a large proportion would be made from fabrics relevant to Reference 144.

Table 17: Imports of Selected Garments of Man-made Fabrics, by Principal Region or Country of Origin, 1961, 1965 and 1968

Kind of Apparel	Total Imports			Origin of 1968 Imports		
	1961	1965	1968	Japan	Other Asian ^(a)	U.S.A.
	- million dollars -			- per cent of total -		
Blouses	0.5	0.7	2.8	52.7	40.6	3.5
Jackets & Coats	2.5	5.4	9.7	25.9	7.9	8.2
Dresses	1.7	1.7	2.2	6.3	13.8	49.5
Pants	1.5	3.4	12.0	16.8	61.0	19.9
Shirts	1.3	1.6	9.8	23.2	58.8	4.7
Ladies' slacks	<u>1.8</u>	<u>2.2</u>	<u>4.1</u>	<u>47.0</u>	<u>30.4</u>	<u>8.6</u>
Total above	9.3	15.0	40.6	25.4	40.7	12.8

(a) Hong Kong, Singapore, South Korea, Taiwan

Source: Derived from DBS, Cat. No. 65-007

The changes in value of imports, 1961-68, vary greatly for different products. The relative importance of Japan and other Asian countries as sources of supply also vary from product to product. However, it is apparent that for the major kinds of garments which are made from man-made or blended woven fabrics, imports have risen very sharply and Japan and other Asian countries are the principal sources of supply. The only exception, dresses, are imported mainly from the U.S.A. In contrast to the substantial increases in imports of man-made apparel, imports of cotton shirts have actually declined by \$2 million (58 per cent), between 1965 and 1968.

The extent of penetration of the Canadian market for clothing, by "low-price" Asian imports is more clearly indicated when the low average unit values of imports from Asian countries are considered in conjunction with the increase in the total value of imports from this region. A tabulation of unit values is given in table 18, for the apparel listed in the preceding tabulation.

Table 18: Unit Value of Imports of Certain Garments of Man-made Fabrics, by Selected Country of Origin, 1968

	<u>Japan</u>	Hong <u>Kong</u> - dollars per garment	<u>Taiwan</u>	<u>U.S.A.</u> -
Blouses	.53	.48	.38	1.94
Outdoor jackets	1.56	1.58	1.44	5.91
Dresses	1.53	4.34	.55	8.16
Pants	1.78	1.60	1.20	4.28
Shirts	.96	.79	.65	2.82
Ladies' slacks	1.34	.89	.56	3.11

Source: Derived from DBS, Cat. No. 65-007

The unit values shown in table 18 are on the basis of f.o.b. country of origin and before duty and sales tax are applied. For rough calculation it can be assumed that about 65 per cent should be added to the unit values shown to convert them to the approximate laid-down cost to a major retailer in Canada.

Thus, assuming a retail mark-up of 100 per cent for the imports from Japan, the blouses might be retailed at \$1.75, the jackets at \$5.15, dresses at \$5.05, pants at \$5.90, shirts at \$3.15 and ladies' slacks at \$4.40. It is obvious that imports from the U.S.A. would have to be of a completely different class of goods, as far as the Canadian consumer was concerned, as would similar garments manufactured in Canada and offered to consumers at considerably higher prices.

Thus, most imports are, apparently, of low-price, large-volume items. Of those listed, about two-thirds are from the principal, so-called, low-price countries. Although a small part of the remaining one-third would also be from such countries, most of it is imported from the U.S.A. and Western Europe.

Voluntary Restraints

An important factor limiting imports of garments from Asian countries is the restraint on exports applied by a number of these countries. The Long-Term Arrangement Regarding International Trade in Cotton Textiles, discussed earlier in relation to imports of fabrics, applies to certain cotton and cotton-blended products from Taiwan and Hong Kong. Restraints on exports of garments to Canada, outside this Arrangement, are also applied by these exporters. In the case of Japan, the definition of cotton products includes blends of cotton in varying proportions with other fibres; and the definition of synthetic products includes blends of synthetic and certain natural fibres in varying proportions.

Without these restraints, imports of garments from these countries would undoubtedly have been very much larger than they have been. They have been enforced, both by the deduction of overshipments, from the quantities that are permitted to enter Canada, in succeeding periods and by the imposition of surtaxes on imports in excess of the agreed quantities.

The following table gives some indication of the extent of such restraints on shirts, after deducting penalties for previous overshipment in some cases, for the latest twelve-month period for which figures are available.

Table 19: Restraints on Exports to Canada, of Shirts, by Fabric Content

<u>Country of Export</u>	<u>Fabric Content</u>	<u>Period, 12 mths. Beginning</u>	<u>Max. Qty. in Period</u> dozen
Japan	cotton	Jan. 1, 1969	281,548
	polyester/cotton	Jan. 1, 1969	80,997
Taiwan	woven cotton	July 1, 1969	71,010
	polyester/cotton)		
	polyester/polynosic)	Oct. 10, 1969	46,036
Singapore	cotton &		
	polyester/cotton	Jan. 1, 1970	18,000
Malaysia	cotton,)		
	polyester/cotton)	Sept. 1, 1969	24,976
	polyester/polynosic)		
Korea	woven cotton)		
	or man-made)	Jan. 1, 1969	40,419
Hong Kong	woven cotton)		
	100% polyester)		
	polyester/cotton)	Oct. 1, 1969	100,000
	polyester/polynosic)		

Source: Dept. of Finance, Press Releases

Restraints are also applied to other garments by a number of exporting countries.

Japan: Cotton and polyester-cotton blouses; cotton and synthetic trousers and outer shorts

Taiwan: Woven cotton sleepwear, cotton or rayon trousers and woven polyester-cotton trousers, slacks and outer shorts

Singapore & Malaysia: Cotton and polyester-cotton trousers (including slacks, shorts and jeans)

Korea: Woven blouses, sleepwear and trousers, slacks and shorts of cotton or man-made fibres

Hong Kong: Cotton woven blouses, nightshirts, trousers, slacks and shorts; blouses and trousers of woven fabrics of 100 per cent polyester and of polyester-cotton blends (major weight polyester)

The Textile and Clothing Industries - Some Comparisons

It is impossible to make comparisons between the synthetic textile and clothing industries, with respect only to that part of their operations which deal with the woven fabrics relevant to this Reference. However, the production of woven apparel fabrics is an important part of the output of the synthetic textile industry, as defined by DBS, even though such fabrics constitute only about 21 per cent of the value of shipments of goods of this industry.

Similarly, man-made fabrics are much more important to a shirt manufacturer than to a producer of work pants. However, to the clothing industries, as a whole, the availability of these fabrics either for the shell, lining or trimmings has become essential to the manufacture of apparel in Canada.

One measure of the rate of growth of an industry is given by the index of its production, measured in terms of constant dollars. The indexes of industrial production for the synthetic textile mills and clothing industries are given in table 20. It should be noted that the indexes are currently being reviewed and this may lead to significant changes, particularly with respect to synthetic textile mills.

Table 20: Indexes of Industrial Production, Synthetic
Textile and Clothing Industries, 1961-68

	<u>Synthetic Textile Mills</u>	<u>Total Clothing Industries</u>	<u>Total Non-Durable Manufacturing</u>	<u>Total Manufacturing</u>
		1961 = 100		
1962	115.6	105.7	107.1	110.5
1963	132.4	111.5	112.5	118.0
1964	156.8	119.8	120.9	129.2
1965	178.9	124.4	128.4	141.0
1966	200.8	127.8	135.9	151.2
1967	203.9	122.9	137.6	151.7
1968	241.0	122.4	143.9	159.4

Source: DBS, Cat. No. 11-003

It is probable that the index relating to the synthetic textile mills will be reduced, perhaps substantially. However, it would have to be reduced by slightly more than 50 per cent to match the index for the clothing industries. It seems doubtful that the DBS will find sufficient basis for changing this index by such a very large proportion. Therefore, even if a substantial reduction is made, it is unlikely that the revised index would not continue to show a higher rate of growth for synthetic textile production than for total manufacturing and, certainly, a much higher rate of growth than that reported for the clothing industries.

A comparison of shipments by the textile industry with those of the clothing industries adds little to the preceding. The value of shipments by the synthetic textile mills increased by 66 per cent, 1961-67; combined shipments by the men's, women's and children's clothing industries rose by 51 per cent in the period.

Taxation statistics frequently provide another basis for comparing industry groups; unfortunately, in this case, the available data are not sufficiently relevant, for a number of reasons.

TARIFF CONSIDERATIONS

In this Reference, the Minister of Finance directed the Tariff Board "to make a study ... of tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel and its effects on Canadian production of garments and wearing apparel."

Tariff Item 56205-1

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Woven fabrics wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty per cent, by weight, of silk:			
56205-1 Exceeding twelve inches in width	22½ p.c.	25 p.c.	45 p.c.
and per pound		15 cts.	40 cts.

Woven fabrics containing five per cent or less, by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under items 56205-1 and 56206-1 [fabrics not exceeding twelve inches in width] but shall be dutiable as though composed wholly of the remaining constituents.

The garments and wearing apparel manufactured from fabrics classified in item 56205-1 would be entered under tariff items 54305-1 or 56300-1. Item 54305-1 applies to clothing and wearing apparel made from such woven fabrics when the textile component is less than fifty per cent, by weight, of man-made fibres or filaments; item 56300-1 applies to such apparel when the woven fabrics used in their manufacture contains fifty per cent, or more, by weight, of man-made fibres or filaments. The rates under these two items follow:

<u>Tariff Item</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
54305-1	22½ p.c.	22½ p.c.	35 p.c.
56300-1	20 p.c.	25 p.c.	50 p.c.

If imported, the man-made fibres used in the manufacture of the fabrics of tariff item 56205-1 would be entered under item 56005-1, and the yarns, filaments and rovings under item 56110-1. The rates under these two items are given below.

<u>Tariff Item</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
56005-1 (fibres)	5 p.c.	10 p.c.	15 p.c.
56110-1 (yarns, filaments and rovings)	22½ p.c.	10 p.c.	35 p.c.
and, per pound		10 cts.	20 cts.

The raw cotton which might be blended with man-made fibres to manufacture many of the fabrics relevant to this Reference would be entered under tariff item 52005-1, free of duty under all tariffs.

The Proposals

Two opposing groups of manufacturers appeared before the Board in connection with this Reference. The Apparel Manufacturers Council of Canada and those who supported its position generally proposed that the B.P. and M.F.N. rates of duty under tariff item 56205-1 should be made the same as the existing M.F.N. rate which applies to cotton fabrics under tariff items 52202-1 and 52203-1. The Council also proposed that yarn-dyed fabrics should be entered free of duty under both the B.P. and M.F.N. Tariffs. The Canadian Textiles Institute and those who supported its position urged that there be no change in the wording or rates of duty of tariff item 56205-1.

The proposals of the Apparel Manufacturers Council of Canada are reproduced below. The Council proposed that existing tariff item 56205-1 should be deleted from the Customs Tariff and be replaced by the following items and rates.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
1. Yarn dyed woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty percent, by weight, of silk, exceeding twelve inches in width, when for use in the manufacture of clothing and wearing apparel.	Free	Free	30 p.c.
2. Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty percent by weight, of silk, exceeding twelve inches in width (other than those enumerated in 1.)			
a) when for use in the manufacture of clothing and wearing apparel	20 p.c.	20 p.c.	30 p.c.
b) n.o.p. and, per pound	22½ p.c.	25 p.c. 15 cts.	45 p.c. 40 cts.

Woven fabrics containing five percent or less by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under items 1 and 2 but shall be dutiable as though composed wholly of the remaining constituents."
(Vol.1, p.29)

It should be noted that the Council recommended a B.P. rate of 20 p.c. in 2(a), above; the B.P. rate for cotton fabrics, under items 52202-1 and 52203-1 is 17½ p.c.

These proposals were made on behalf of the following constituent associations of the Council:

Canadian Shirt Manufacturers Association
Children's Apparel Manufacturers Association
Foundation Garment Institute of Canada
Lingerie Manufacturers Association
Manufacturers Council of the Ladies Cloak and Suit Industry
Men's Clothing Manufacturers Association (Quebec)
Men's Clothing Manufacturers Association of Ontario
Montreal Dress & Sportswear Manufacturers Guild
National Garment Manufacturers Association
Odd Pant Manufacturers Association
Rainwear and Sportswear Manufacturers Association
(Vol.1, p.12)

The proposals of the Apparel Council were supported by the Canadian Men's Fine Clothing Manufacturers Association (Vol.2, p.236) and by O. Browne & Co. Limited. The latter company did not appear before the Board to describe the exact nature of its proposal but its brief referred to "the lowering of tariffs on Item 56205/1." (Vol.3, p.479).

The Canadian Shirt Manufacturers' Association supported the position of the Apparel Council but, in a separate brief, urged

"that tariff item 56205-1 in the Customs Tariff be amended as follows, in so far as it affects shirting fabrics:

Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty per cent, by weight, of silk:

Exceeding twelve inches in width ...

(a) When imported by manufacturers of shirts, for the manufacture of shirts

(i) yarn dyed	B.P. Free	M.F.N. Free
(ii) others	B.P. 17½%	M.F.N. 20%

"Woven fabrics containing 5% or less, by weight, of man-made fibres or filaments or of glass fibres or filaments, shall not be dutiable under tariff item 56205-1 and 56206-1, but shall be dutiable as though composed wholly of the remaining constituents.

The Association wishes to go on record and to state that it does not seek the continuation of or the expansion of the customs drawback shirting fabrics regulations, established by Order-in-Council P.C. 1969-950 dated May 8th, 1969."
(Vol.2, p.323, 324)

The rates of $17\frac{1}{2}$ p.c., B.P. and 20 p.c., M.F.N., proposed by the shirt manufacturers for other than yarn dyed shirtings, are the same as now apply to cotton fabrics under tariff items 52202-1 and 52203-1.

The Canadian Textiles Institute, in association with the Textile Workers' Union of America and the United Textile Workers of America, urged that there be no change in the rates of duty now in effect under tariff item 56205-1 (Vol.3, p.497). The spokesman for the Institute said that most of the Canadian production of the fabrics relevant to Reference 144 was by seven companies, six of which are members of the Institute; the seven companies are listed below.

<u>Company</u>	<u>Plant Locations</u>
Associated Textiles of Canada Ltd. Bruck Mills Ltd.	Louiseville, Que. Cowansville, Que. Sherbrooke, Que. St. Jean, Que.
Chemcell Ltd.	Drummondville, Que. Montmagny, Que. Coaticook, Que.
Consolidated Textiles Ltd.	St. Hyacinthe, Que. Joliette, Que. Alexandria, Ont. Magog, Que.
Dominion Textile Ltd.	Long Sault, Ont. Magog, Que. Sherbrooke, Que. St. Jean, Que. St. Timothée, Que. Valleyfield, Que.
Doric Textile Mills Ltd. Rayonese Textile Co. Ltd.	St. Jean, Que. St. Jerome, Que.

Of the above, only Doric is not a member of the Institute and, therefore, is not associated with the proposals.

The Man-made Textiles Association supported the proposals of the Canadian Textiles Institute on behalf of five major Canadian

producers of man-made fibres: Chemcell Limited, Courtaulds (Canada) Limited, Du Pont of Canada Limited, Millhaven Fibres Limited and Union Carbide Canada Limited.

The Canadian Textiles Institute (C.T.I.) proposals were also supported by the Canadian Chemical Producers' Association. This Association represents a number of member companies which produce chemicals, resins and man-made fibres and filaments used in the manufacture of the woven fabrics relevant to Reference 144.

The British Man-made Fibres Federation, on behalf of their fabric-exporting members urged that the existing margin of preference under tariff item 56205-1 be maintained.

Analysis of Proposals

The existing rates for the apparel fabrics relevant to Reference 144 are $22\frac{1}{2}$ p.c., B.P. and a composite M.F.N. rate of 25 p.c., ad valorem and 15 cents per pound. For light fabrics, such as are used in the manufacture of dress shirts, the ad valorem equivalent of the M.F.N. duty appears to be about 31 to 33 p.c.; for other, heavier, apparel fabrics, such as are used in the manufacture of slacks and raincoats, the effect of the specific duty of 15 cents a pound would be greater and the composite rate might be higher.

Thus the proposals of the Apparel Council for relevant apparel fabrics, apart from yarn-dyed shirtings, would involve only a small reduction in the B.P. rate of duty but a substantial reduction in the M.F.N. rate from about 32 p.c. or more under the existing tariff to 20 p.c. The proposal of the shirt manufacturers relative to the above fabrics differed from that of the Council essentially only in respect of the B.P. rate. However, the margin of preference was not at issue during the hearing, as indicated by the comment of the shirtmakers' spokesman that,

"... we have suggested a B.P. rate of $17\frac{1}{2}$ per cent and an M.F.N. rate of 20 per cent ... just to preserve a little margin of difference between the B.P. rate and the M.F.N. rate ... we dealt just specifically with the shirt people and the one point of difference which is very small, and mind you, unimportant is that we propose a British Preferential rate of $17\frac{1}{2}$ and a M.F.N. rate of 20 per cent".
(Vol.2, p.279)

The proposals of the Apparel Council and the shirt manufacturers relative to yarn-dyed apparel fabrics would involve a very substantial change from the existing rates; for imports from B.P. countries the rate of duty would be reduced from $22\frac{1}{2}$ p.c. to zero and for imports from M.F.N. countries the reduction would be from an equivalent of about 32 p.c. to zero.

The existing margin of preference between the B.P. and M.F.N. rates is relatively large -- of the order of 10 percentage points. In the proposals of the Apparel Council this margin would disappear on both yarn-dyed and other fabrics. In the proposal of the shirt

manufacturers the margin would disappear on yarn-dyed fabrics; on other relevant fabrics the margin would be $2\frac{1}{2}$ p.c., a decrease of about 7 percentage points.

It has already been noted that few of the available statistics relate directly to the woven apparel fabrics relevant to Reference 144. However, although the record of imports under tariff item 56205-1 includes non-apparel fabrics, the data permit certain conclusions to be drawn from them which would apply to apparel fabrics; many of the statements made in the course of the public hearing by representatives of both the textile and clothing industries support such conclusions.

Table 21: Distribution of Imports Under Tariff Item 56205-1, by Principal Origin, 1966-1969

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u> <u>Jan.-Sept.</u>
	- per cent of total value of imports -			
U.S.A.	67.0	61.5	58.0	57.0
Japan	15.7	17.7	21.7	21.1
U.K.	3.5	3.3	2.9	3.0
E.E.C.	9.3	12.5	10.6	11.7
Others	<u>4.5</u>	<u>5.0</u>	<u>6.8</u>	<u>7.2</u>
Total	100.0	100.0	100.0	100.0

Source: Derived from DBS data

It is clear, from the table, that Japan and the U.S.A. are the principal sources of Canadian imports of the relevant fabrics; together, these two countries account for more than three-quarters of the total. It is also clear that imports from Japan have increased in recent years at the expense of those from the U.S.A. and that the proportion of imports from others has also been increasing. The relatively minor importance of the U.K. as a source of Canadian imports of fabrics under item 56205-1 is also suggested by the table.

The actual values of imports, under item 56205-1, are shown in the table which follows.

From the table, it is apparent that the proposals relative to the level of M.F.N. duty under tariff item 56205-1 are of principal importance. This rate applies to 95 per cent or more of imports into Canada of all fabrics classified under item 56205-1 and, therefore, would apply to most of the apparel fabrics imported under this tariff item.

Table 22: Value of Imports Under Tariff Item 56205-1 by
Principal Origin, 1966-1969

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
		-	thousand dollars	-
				<u>Jan.-Sept.</u>
U.K.	1,796	1,878	1,855	1,709
India	459	120	428	856
Total B.P.	2,279	2,004	2,297	2,615
U.S.A.	34,670	34,535	37,151	32,592
Japan	8,128	9,947	13,928	12,040
Italy	2,014	3,153	3,320	3,751
Other E.E.C.	2,799	3,867	3,472	2,945
Other M.F.N.	1,853	2,664	3,905	3,178
Total M.F.N.	49,464	54,166	61,776	54,506
All Countries	51,767	56,186	64,083	57,134

Source: Derived from DBS data

Representations in Support of Proposals

In general, there was little disagreement between the clothing and fabrics manufacturers regarding the principal trends affecting their industries. However, there was considerable disagreement between them as to how each might be affected by a change in the rates of duty under tariff item 56205-1. The two groups also differed in the approach of their presentations. The clothing manufacturers presented many arguments in support of their proposals but produced relatively little evidence in support of them; the fabrics manufacturers presented a considerable amount of evidence to refute some of the claims of the clothing manufacturers but put forward relatively little evidence in support of the claim that they needed the existing level of protection.

Submissions of the Clothing Industries

The clothing manufacturers supported their proposal regarding piece-dyed fabrics with the following arguments.

1. Fundamental changes have occurred, in recent years, which have affected clothing manufacturers. These include:
 - (a) The large volume of imports from low-wage countries and the consequent loss of their traditional low-price, large volume market for staple products. (Vol.8, p.962)
 - (b) The displacement of cotton fabrics in the apparel field by man-made and blended fabrics. (Vol.8, p.964)

- (c) The shift to higher-style, higher-priced lines, at least partly as a result of the competition of low-price imports. (Vol.8, p.965, 967)
2. There are very few domestic suppliers of apparel fabrics and the one or two firms producing each of the principal kinds cannot supply the expanded requirements for variety of fabrics, colors and patterns demanded by the Canadian market. (Vol.1, p.19)
 3. As a result the clothing industries must import a significant proportion of their requirements. (Vol.8, p.966)
 4. Because of the increased importance of man-made and blended fabrics and the expanded demand for a larger variety of fabrics, tariff item 56205-1 has become of "enormously greater importance" than it was ten years ago. (Vol.8, p.965)
 5. In the high-style field, the Canadian industry is exposed to the competition of imports, particularly from the U.S.A. The protection afforded clothing, under tariff item 56300-1 (25 p.c.) is insufficient to meet this competition unless Canadian manufacturers have access to fabrics at lower cost. (Vol.1, p.19,20)
 6. The position of the clothing industries is aggravated by the existing anomaly in the rate structure which results in an ad valorem equivalent M.F.N. rate of 32 p.c. for the fabrics under item 56205-1 and M.F.N. rates of 25 p.c. or $22\frac{1}{2}$ p.c., for apparel made from such fabrics, under items 56300-1 and 54305-1, respectively. (Vol.1, p.20)
 7. A major effect of this anomaly in the rate structure has been that the clothing industries have had a relatively low rate of growth. In contrast the synthetic textiles industry has enjoyed a very high rate of growth relative to the clothing industries, Canadian manufacturing in general, and even relative to the textile industries in other countries. (Vol.8, p.968, 969)
 8. The clothing manufacturers claimed that Canadian man-made fabric producers do not now take full advantage of the tariff protection available under item 56205-1 and do not need this level of protection in meeting competition from the U.S.A. (Vol.8, p.975)
 9. Their spokesman referred to a recent study of effective protection, made on behalf of the Economic Council of Canada, which reported that the effective protection for the synthetic textiles industry was of the order of 58 to 64 p.c. whereas studies made by the Apparel Council indicate effective rates of 14 to 18 p.c. for clothing made from man-made fabrics. He urged that a comparison of rates of effective protection give a useful, though rough, measure of the relative advantage which accrues to each of the groups as a result of the Tariff. (Vol.1, p.26; Vol.8, p.977)

The shirt manufacturers' spokesman said that 80 per cent of the shirts now made in Canada are made from blended fabrics, the principal kind being a blend of 65 per cent polyester and 35 per cent cotton. He emphasized the shift from white and light-colored shirts to the wide variety of colors and patterns now used by shirtmakers. He claimed that the Canadian industry had been forced to abandon the low-price, large-volume field to imports and noted that imports of shirts in 1968 exceeded domestic production by 12 per cent. (Vol.8, p.988, 989)

He referred to the fact that there was only one producer in Canada of the principal shirting fabric relevant to Reference 144 and noted that neither this company, nor any other, now made yarn-dyed shirtings or intended to manufacture these in the near future. (Vol.8, p.989)

Therefore, he said, Canadian shirt manufacturers were forced to purchase all of their requirements of yarn-dyed fabrics abroad. Moreover, in order to obtain the variety of fabrics demanded by the Canadian market and to avoid the many hazards of depending on only one supplier some proportion of the industry's purchases of piece-dyed fabrics also had to be purchased abroad. (Vol.2, p.325, 330; Vol.8, p.990)

He estimated the existing M.F.N. duty under item 56205-1 to be equivalent to 31.5 p.c., ad valorem, and questioned the need for such a level of protection on any of the relevant fabrics (Vol.8, p.993). He also drew the Board's attention to the higher rate of protection on the fabrics than on the shirts.

No additional points were raised in the submissions of O. Browne & Co. Ltd. and the Canadian Men's Fine Clothing Manufacturers Association.

Submissions of the Fabrics Industry

The manufacturers of the man-made and blended fabrics agreed that fundamental changes had occurred in recent years with respect to the kinds of fabrics used in the production of apparel. They presented the following arguments in support of their proposal that the wording and rates of tariff item 56205-1 remain unchanged.

1. The Canadian mills producing the fabrics of Reference 144 are as modern and up-to-date as any in the world. The industry has kept abreast of technological developments and its productivity is high. (Vol.3, p.494; Vol.6, p.849)

2. However, the Canadian market is small and this is reflected in the size of run in the weaving, dyeing and finishing operations. Smaller runs, relative to other countries, such as the U.S.A., result in higher costs at every stage of processing. (Vol.6, p.754, 755)

3. The inherent disadvantages of producing for the small Canadian market have been compounded by the current demand for a greater variety of fabrics, constructions, finishes and colours, which has further reduced the average size of run and dye lot. The consequence of this has been a higher rate of rejects and re-dyes and even higher unit costs of production. (Vol.6, p.755, 827)

4. Although the U.S.A. is the principal source of the imported apparel fabrics of this Reference, there is also considerable competition from fabrics imported from the Far East, particularly Japan; the source of the competition varies according to the kind of fabric. (Vol.3, p.491; Vol.5, p.711; Vol.6, p.810)

5. There must be a "delicate balance" in the pricing of fabrics to sell below the laid-down cost of imports from the U.S.A. and yet not so high as to attract imports from Japan. (Vol.5, p.711; Vol.6, p.811) In consequence, Canadian fabric manufacturers appear to take less than full advantage of the available protection under tariff item 56205-1 and many fabrics are sold at 10 per cent or more, below the laid-down cost of comparable fabrics imported from the U.S.A. (Vol.5, p.655, 710; Vol.6, p.811, 812; Vol.8, p.1036)

6. If the rates under tariff item 56205-1 were lowered, the Canadian textile industry would be exposed to increased pressures from the U.S.A., Japan and other countries, with consequent harm to the Canadian industry. (Vol.6, p.757, 811; Vol.8, p.1038)

7. Most foreign competition for garments is from low-price, Asian countries. Duty-free entry for the relevant fabrics would be of no assistance to the clothing industry in meeting this competition; indeed, even if the fabrics were free of all cost, Canadian manufacturers of garments could not compete with these countries. (Vol.8, p.1000, 1009, 1031)

8. Cross-dyed fabrics may be substituted for yarn-dyed fabrics in most uses and the former are available from Canadian production in a wide variety of patterns. Moreover, yarn-dyed fabrics are directly competitive with plain shades. (Vol.8, p.1016, 1028, 1038)

9. Man-made fabrics require higher rates of protection than cotton fabrics because there are duties on man-made fibres, filaments and yarns whereas raw cotton is entered free of duty. (Vol.6, p.824; Vol.8, p.1038)

10. To lower the rates of duty on fabrics would not solve the problems of the clothing industry, but would jeopardize an industry with a very large capital investment. (Vol.8, p.1029, 1038)

Analysis of Representations

Both the clothing and fabrics manufacturers agreed that there had been a virtual revolution in the use of man-made and natural-fibre fabrics during the 1960's and particularly since 1965. The C.T.I. estimates that Canadian shipments of man-made fabrics were 31 per cent of combined shipments of cotton and man-made broadwoven fabrics for all uses, in 1961; by 1968 man-made fabrics were 44 per cent of the total and still increasing relative to cotton. The importance to the clothing industry of the change from cotton to man-made fabrics is indicated in table 13. This table shows the extent of the change from 1961 to 1967; 1968 and 1969 were years of continuing rapid change in this respect.

One result of the displacement, principally of cotton fabrics, by those of man-made or blended fabrics, has been the increase in the average rate of protection which applies to fabrics used by the clothing industry. At the beginning of the decade man-made fabrics were widely used mainly in women's clothing, but even in ladies' wear, cotton was the principal fabric used. The rates of duty on cotton fabrics is $17\frac{1}{2}$ p.c., B.P. and 20 p.c., M.F.N. With the displacement of cotton fabrics during the 1960's, the rates under item 56205-1 began to apply to a much larger proportion of the fabrics used in the manufacture of clothing. As a result, a much greater proportion of the apparel fabrics which are now imported are subject to the considerably higher rates of duty under item 56205-1.

The rates of duty on the fibres, filaments and yarns that are used in the production of man-made or blended fabrics are outside the terms of the present Reference, as also, are the rates on the garments made from such fabrics. Therefore, any change in the rates which apply to the fabrics would, simultaneously, affect both the producers of the fabrics and of the garments but in opposite ways.

The effect of the change in the kinds of fabrics used for the manufacture of clothing, on the average rate of protection which applies to apparel fabrics used in Canada, is suggested by the figures in table 23. Imports by tariff item are available only since 1966 and as noted in earlier sections, a considerable displacement of cotton fabrics had already occurred by that time.

Table 23: Duty Collected As a Percentage of the Dutiable Value of Cotton Fabrics Imported Under Items 52202-1 and 52203-1 and Man-Made Fabrics Imported Under Item 56205-1, 1966-69

	<u>1966</u>	<u>1968</u>	<u>1969</u> <u>Aug. & Sept.</u>
	- duty as % of dutiable value -		
<u>Cotton fabrics</u>			
52202-1	21.9	19.8	18.6
52203-1	21.4	21.6	19.6
<u>Man-made fabrics</u>			
56205-1	39.1	37.9	31.2

Source: DBS

Because a larger proportion of the apparel fabrics now being used by the Canadian clothing industry is of fabrics to which the rates under item 56205-1 apply, the average rate of protection is about 50 per cent higher than the rates which apply to most cotton fabrics.

Availability of Domestic Fabrics

There was considerable discussion at the public hearing with respect to the adequacy of the variety of Canadian-produced fabrics available to clothing manufacturers. The clothing industry

claimed that one of the results of the "fashion explosion" which had occurred was the requirement for a larger variety than could be purchased from domestic suppliers, particularly for "confined" lines; a confined line is a fabric which the supplier undertakes to sell to only one buyer. The fabric manufacturers denied this claim and presented a very large number of samples of domestic fabrics to indicate the great variety of kinds, constructions and patterns of man-made fabrics which they were producing.

The fabric producers also presented evidence to indicate that they compared very favorably with U.S. producers in the "lead" time needed to obtain a particular fabric, the quantity of fabric that would have to be ordered to obtain a confined line and times of deliveries. It seemed, from the discussion, that the clothing manufacturers were comparing lead times and quantities, required by Canadian fabric producers, for special orders with the times and quantities required to obtain stock items from U.S. manufacturers.

Related to the question of the availability of different fabrics was the claim of the clothing manufacturers that there are only one or two firms producing each of the principal kinds of apparel fabrics, in Canada. There appears to be considerable validity to this claim. As noted earlier, certain of the seven principal Canadian manufacturers of man-made apparel fabrics tend to specialize in fabrics for particular uses. Two of the seven, Rayonese and Doric, were said to produce linings, almost exclusively, with Chemcell being "absolutely predominant" in that field. Of the remaining five, Dominion Textile is the only Canadian producer of polyester-cotton shirtings; Bruck was said to be "particularly important" in the supply of dress fabrics; Associated was referred to as "a major factor in Canada" with respect to fabrics for men's slacks and suitings; and Consolidated was mentioned as being "very heavy" in the supply of rainwear and outerwear fabrics.

There appears to be a certain amount of "overlap", in that five of the seven companies produce fabrics for purposes other than those for which they occupy a major or dominant position in the Canadian market. However, the evidence of the buyers together with that of the fabric manufacturers leaves a clear impression of dominance of one, or at most two manufacturers, in the supply of man-made fabrics for the manufacture of particular kinds of clothing.

Thus, although there seemed little question of the availability of a very large variety of domestic fabrics for all uses, clothing manufacturers would, generally, be forced to depend on, at most, two sources of domestic supply of fabrics if they required more than a fairly limited variety of kinds, constructions, colours or patterns, for their operations. The clothing manufacturer is exposed to certain hazards in such a situation; for example, a prolonged strike, or a work stoppage for any other reason, would cut off domestic supplies and would force him to purchase outside of Canada. The seasonal nature of the Canadian demand for certain clothing increases the importance to the clothing manufacturer of the certainty of fabric delivery.

For larger clothing manufacturers, it may be good policy to avoid depending on the one or two domestic suppliers because the

quantities which they require may be difficult to obtain, on short notice, from a foreign source, unless the company's position as a regular buyer is established; they may consider the extra cost of such purchases a form of insurance. Moreover, their bargaining position with the one or two Canadian companies which are able to supply their needs is likely to be improved if they are in a position to purchase from suppliers in other countries.

Yarn-Dyed Shirt Fabrics

It was agreed, at the hearing, that there was no production of yarn-dyed shirt fabrics in Canada; the discussion indicated that no manufacturer was planning on entering this field. The brand-name dress shirt manufacturers estimated that about 30 per cent of the man-made and blended fabrics which they used were yarn-dyed, all of which had to be imported at the time of the hearing. (Vol.3, p.394, 395) Although the fabrics manufacturers agreed that there was no production of yarn-dyed shirt fabrics in Canada, they claimed that cross-dyeing could produce the same effect and presented many samples of cross-dyed fabrics to support their claim.

The process of cross-dyeing depends on the properties of different yarns or filaments which react to certain dye chemicals in different ways. For example, a yarn made of polyester fibres and one of acetate fibres may appear quite different after exposure to the same dye solution. Thus, by using different yarns or filaments in the warp or filling of a fabric and then using appropriate dye chemicals a very wide variety of stripe and check effects can be obtained.

The discussion indicated that cross-dyeing was not in all cases less costly than yarn-dyeing and that there were limitations with respect to the number of colours obtainable in a fabric by cross-dyeing. It was said that there are more limitations in cross-dyeing than in yarn-dyeing, but it was also claimed that cross-dyeing was a more flexible process. (Vol.4, p.642)

Although the opposing parties disagreed regarding the extent to which cross-dyed fabrics may be substituted for yarn-dyed fabrics, it seems clear that, if the latter could be entered free of duty, they would compete fairly directly with domestic cross-dyed fabrics. Moreover, the duty which now applies on imported yarn-dyed fabrics is to some extent a deterrent to their use; if they could be imported free of duty, they would probably be used more extensively for the manufacture of shirts at the expense of domestically-produced plain shades or patterned fabrics.

The Competition From Imports

Imports of man-made apparel fabrics, in recent years, were estimated to be about 24 per cent of total Canadian use (table 3); imports of clothing were estimated at about 6 per cent of Canadian use (table 11). Imports of both fabrics and garments have increased substantially since 1961.

Most imports of man-made apparel fabrics were said to be from the U.S.A.; Japan, the second most important source of supply, probably accounts for 20 to 25 per cent of Canadian imports of these fabrics.

Both the garment and fabrics manufacturers claimed they could not meet the competition from Asian countries. The garment producers said they had been forced to vacate the low-price, large-volume staple market and had entered the higher-price, high-fashion garment field. The major manufacturer of polyester-cotton fabrics said his company's prices were "appreciably higher" than the laid-down cost of imports from Japan (Vol.5, p.711); the major producer of dress fabrics said "they [the Japanese] could put us out of business if they wanted to". (Vol.6, p.821)

As noted earlier, most of the present imports of man-made apparel fabrics are from the U.S.A. and most imports of garments are from Asian countries. However, about 34 per cent of the value of imports of garments are from non-Asian countries and a significant proportion are from the U.S.A. and European countries such as France, West Germany and others.

The Relevant Rate Structure

Spokesmen for the clothing industry noted that under the existing tariff structure the rates of duty which apply to fabrics under tariff item 56205-1 are substantially higher than the rates which apply to garments made from such fabrics under tariff items 54305-1 and 56300-1. They claimed that this constitutes an anomaly in the progression of rates which applies to the raw materials, intermediate goods, the fabrics and the garments. They presented evidence to show that in most European countries and the U.S.A. the rates of duty were lowest on fibres and filaments and became progressively higher on yarns, fabrics and garments. They also drew attention to the difference in the progression of rates for cotton and for man-made goods.

The structure of the relevant Canadian Tariff as it applies, generally, to man-made goods, is shown below.

<u>Tariff Item and Brief Description</u>		<u>B.P.</u>	<u>M.F.N.</u>
56005-1	Man-made fibres	5 p.c.	10 p.c.
56015-1	Man-made filaments	5 p.c.	10 p.c.
56110-1	Yarns and rovings	22½ p.c.	10 p.c.
			+ 10 cts. per lb.
56205-1	Woven fabrics	22½ p.c.	25 p.c.
			+ 15 cts. per lb.
56300-1	Clothing, textile component		
	50% or more man-made	20 p.c.	25 p.c.
54305-1	Clothing, textile component		
	less than 50% man-made	22½ p.c.	22½ p.c.

An examination of imports, since July 1969, indicates that the ad valorem equivalents of the composite M.F.N. rates under tariff items 56110-1 and 56205-1 have been 17.5 per cent and 31.7 per cent respectively.

Effective Protection

The spokesman for the clothing manufacturers, in his closing argument, said:

"... it is our submission that the examination of rates of effective protection is a useful exercise ... for the purpose of measuring in a rough and ready way the relative advantage which accrues from the tariff to one segment of a related group of industries as compared to another".
(Vol.8, p.977)

The question of effective protection had been raised, earlier, in the brief of the Apparel Council and had been the subject of considerable discussion during the hearing.

As noted in the presentation by the spokesman of the C.T.I., the basic concept of effective protection has been known for a very long time, although it had not been used very extensively in analytical studies until fairly recently. Its use as a legitimate tool of economic analysis is now widely accepted.

A recent study made for the Economic Council of Canada defines the rate of effective protection as the percentage increase in value added per unit of output made possible by the tariff structure. The authors note that,

- "-- If the tariff on the output is higher than the tariff on the input, the effective protection will be higher than the nominal tariff.
- If all tariffs are equal, then the effective protection is equal to the nominal tariff.
- If the output tariff is lower than the tariff on the input, then the effective protection will be less than the nominal tariff.
- Effective protection can be negative if the tariff on the input is sufficiently higher than the output tariff, or if there is no tariff on the output."

As stated earlier, any change in the rates which apply to apparel fabrics, under item 56205-1, would affect the protection available to both the producers of the fabrics and of the garments, but in opposite ways. Therefore, it seems particularly appropriate, in this Reference, to calculate the effective protection on a selection of garments and also on the man-made fabrics which entered into their manufacture. In consequence, the Board obtained detailed data from clothing manufacturers, regarding the materials which were used in the manufacture of certain garments which were said to be large volume sales items. In addition, the Board acquired data from domestic fabric manufacturers regarding the materials which entered into the production of the fabrics used in the garments for which material inputs had already been obtained.

The rates of effective protection were calculated under the assumption that all inputs and outputs were priced to take full advantage of the tariff protection available under existing tariff items. For example, the price paid for fabrics, by a clothing manufacturer is assumed to include the full M.F.N. duty, under item 56205-1, of 25 p.c. plus 15 cents a pound; similarly, fibres or filaments used in the production of the fabrics were assumed to be priced as if the full M.F.N. duties were included in their prices. The prices of the outputs, that is, fabrics and garments, were also assumed to take full advantage of the M.F.N. rates available under items 56205-1 and 56300-1, respectively.

In order to assess the effect of a change in the rates of duty under tariff item 56205-1, the calculations were done in two ways: firstly, the rate of effective protection was calculated using the current M.F.N. rate of duty under item 56205-1; secondly, the calculation was made using a duty of 25 p.c. The results of the calculations are given in table 24.

Table 24: Effective Protection on Selected Garments and Fabrics^(a)

<u>Fabrics</u>	<u>Current Tariff Situation</u>	<u>Fabric Duty 25 p.c.</u>
TB 1	264.8	151.1
TB 2	100.7	64.6
TB 3	78.3	52.9
TB 4	54.6	42.0
TB 5	49.7	37.2
TB 6	38.3	28.4
TB 7	36.4	26.8
<u>Garments</u>		
Blouse	23.6	25.4
Dress	23.1	25.4
Dress shirt	21.4	25.4
Dress shirt	21.2	25.4
Ladies' slacks	20.9	25.7
Men's jeans	18.1	25.6
Men's jeans	10.9	25.4

(a) The fabrics for which the rates of effective protection are shown were reported by the manufacturers of the garments listed in the table to be the domestic fabrics which they used in the manufacture of those garments. Because the producers of the fabrics might be identified if the end-use of the fabric were shown, the fabrics are identified only by numbers.

Source: Tariff Board survey

It is evident from table 24 that the effective protection on fabrics is currently very much higher than on garments. It is also apparent that the differences would be substantially reduced, in some cases, with a duty of 25 p.c. on the fabrics; however, the effective protection would still be much higher for the fabrics than for the garments.

Pricing Policy on Fabrics

Many statements made at the public hearing support the view that Canadian manufacturers of man-made apparel fabrics tend to price such fabrics, generally, at about ten per cent under the laid-down cost of comparable fabrics imported from the U.S.A. Statements by individual textile manufacturers also indicated that such prices were, at the same time, higher than the laid-down cost of fabrics imported from Japan. All of the examples cited by the clothing manufacturers were to the effect that prices of Canadian fabrics were lower than the delivered cost of comparable imports from the U.S.A. The Canadian textile manufacturers submitted some examples of comparable fabrics where the domestic price was about the same as the landed cost of U.S. imports, some where it was higher and some where it was lower. In general, they suggested that their prices were subject to change depending on particular market situations.

However, some of the principal manufacturers of man-made fabrics agreed with the clothing manufacturers that, by and large, they were not using all of the M.F.N. duty and Canadian prices were generally below those of comparable fabrics imported from the U.S.A. (Vol.5, p.710; Vol.6, p.811). A summary of some price comparisons presented at the public hearing is given below.

<u>Transcript Reference</u>	<u>Canadian Price</u>	<u>Laid-down Cost From U.S.A.</u>	<u>% Can. Price of Import</u>
	-	\$ per yard -	- per cent -
<u>Cited by Clothing Mfrs.</u>			
Vol.1 - 54	.97	1.14	85.1
- 57	.835	.94	88.8
- 100	1.50	1.70	88.2
2 - 190	1.10	1.38	79.7
- 203	1.35	1.64	82.3
- 205	1.55	1.80	86.1
3 - 441	.63	.80	78.8
<u>Cited by Textile Mfrs.</u>			
4 - 619	1.925	1.835	104.9
- 621	1.85	1.938	95.5
- 622	1.85	1.806	102.4
- 623	1.80	1.808	99.6
5 - 655	.51-.57	51.3-58.3(a)	98.5
- 710	.629	about .72	87.4

(a) f.o.b., U.S. mill

During the hearing the clothing manufacturers argued that the pricing policy of Canadian textile manufacturers indicates that they do not now take full advantage of the available protection under item 56205-1 in meeting competition from the U.S.A. and, therefore, they do not need the existing level of M.F.N. rates. (Vol.8, p.978)

If prices of Canadian fabrics are generally lower than the laid-down cost of imports from the U.S.A. and Western Europe, as the evidence suggests, then to some degree the available protection under tariff item 56205-1 could be considered to be only occasionally useful, as insurance against a substantial decline in import prices. If it is assumed that delivered prices of fabrics imported from the U.S.A. are about ten per cent higher than prices of comparable domestic fabrics then the protection used by Canadian manufacturers, for most of the fabrics in table 24, would range from about 20 p.c. to 27 p.c. compared with an average ad valorem-equivalent rate of about 32 p.c. for all broad woven man-made fabrics imported under tariff item 56205-1, in recent months.

SUMMARY AND CONCLUSIONS

In this Reference, the Board was directed to study and report on tariff item 56205-1 in so far as it relates to fabrics used in the manufacture of garments and wearing apparel and its effects on Canadian production of garments and wearing apparel. Fabrics, dutiable under tariff item 56205-1, are those woven fabrics containing more than five per cent, by weight, of man-made fibres or filaments and exceeding twelve inches in width. Garments and wearing apparel, when made from such fabrics, are for the most part, dutiable under tariff item 56300-1; the yarns used in weaving such fabrics would be largely dutiable under tariff item 56110-1. The basic issue in this Reference then, is the division of the protective margin resulting from the difference in duty on the clothing and the duty on the yarn, as between the clothing manufacturers and the weavers of the fabric.

The significant rates of duty are those under the Most-Favoured-Nation Tariff. At the present time the rate on garments under tariff item 56300-1 is 25 p.c.; the rate on fabrics under tariff item 56205-1 is 25 p.c. plus 15 cents per pound; the rate on yarns under item 56110-1 is 10 p.c. plus 10 cents per pound. Some of the weavers spin their own yarns and the rate on the staple fibres under tariff item 56005-1 is 10 p.c. Thus, the existing duty structure provides both a higher nominal rate of duty and a higher "effective protection" on the fabrics than on the garments.

Little published statistical information relates specifically to the area covered by this Reference. Figures on the clothing industry encompass more than the production of clothing entirely of fabrics containing man-made fibres; similarly, figures on the production of fabric of man-made fibres in Canada relate to total production and not to that used only in the production of clothing. Nevertheless, it is useful to consider, in a general way, what has been happening in both the clothing and fabric fields in Canada in recent years.

In the decade since the last Tariff Board study on man-made fabrics and their products, the most striking development in the clothing industry has been the changes which have taken place and the rapid rate at which they have taken place; indeed the rate of change seems to have increased in the past five years as compared with the earlier five years.

In the Board's 1959 Report, Silk and Man-Made Fibres, and Products, Reference No. 125, the following appears on page 93:

" ... As to the threat of invasion of the domestic market by Japanese made-up goods of man-made fibres, the penetration to date, while of some significance for the industry, is still not on a very large scale."

In the past decade this situation has changed radically. Imports of made-up garments, as well as fabrics containing man-made fibres, have increased greatly from the so-called "low-price"

countries. The term, "low-price country" no longer suggests only Japan but also Taiwan, South Korea, Hong Kong, China, India, and some of the eastern European countries as well. The impact of these "low-price" imports has varied greatly in different areas of the clothing industry. Some areas have been little affected, at least as yet, whereas several areas have had to make significant changes in their operations as a result of such imports, for example, producers of shirts, casual clothes, work clothes, and blouses have been forced, for the most part, to abandon their lower-priced ranges.

The second significant change in the past decade has been the increased use of fabrics containing man-made fibres as compared with fabrics made from natural fibres, particularly cotton. Again this change has been more pronounced in some areas of the garment industry than in others. Men's shirtings represent perhaps the area of greatest change in this respect; the 100 per cent cotton dress shirt has been to a great extent superseded by shirts made from fabrics containing polyester/cotton blends. From the standpoint of the clothing industry this change resulted in a significant increase in the duty on fabrics because the duty on cotton fabric has always been lower than the duties on fabrics of man-made fibres; at present the duty on woven fabrics, wholly of cotton, n.o.p., is 20 p.c. whereas the duty on fabrics of man-made fibre is 25 p.c. plus 15 cents per pound.

Perhaps the most apparent development in the past decade has been the rapidity with which style or fashion changes have taken place, particularly in garments for the younger generation. Fashions in men's suits have changed almost as frequently as women's fashions; fashion has even become a factor in such ordinary garments as rain-coats and work clothes and the market for sportswear has increased with the popularity of skiing and the advent of the snowmobile; in sportswear generally, fashion trends and colour ranges have greatly increased.

The past decade has been one of relative prosperity in Canada and no doubt this has assisted the industry in adjusting to these changes. The clothing industry is not a capital intensive industry and, partly as a result, it is made up of a great number of firms, many of them quite small. As might be expected under such conditions, competition between domestic producers is keen and the number of new entrants and casualties in the industry is fairly high. Less prosperous times could have serious consequences for the clothing industry; a reduction in disposable income available for indulgence in high fashions, or less frequent changes in fashions, could have serious implications for the industry, particularly in those areas where the lower-priced, more stable, ranges have been abandoned to imports from the low-priced countries. Another business factor of which the clothing manufacturer in Canada must be aware, is that the retail market for clothing is dominated by perhaps a half dozen large retail outlets and similarly, the number of fabric suppliers, particularly of fabrics of man-made fibres, is limited to about half a dozen. Nearly all the fabric suppliers spin and process yarns; most of them have their own dyeing, printing and finishing plants and some of them have specialized, to a large extent, in a particular type of fabric. In the past decade shipments of Canadian woven man-made fabric, in thousands of square yards, have almost doubled.

Other facets of this inquiry were discussed during the public hearing. One was the extent to which the fabric producers are making use of the existing tariff. The Board was supplied with a number of examples of similar cloths -- one produced in Canada, the other in the United States. In some cases, the price of the Canadian cloth was somewhat higher than the laid-down cost in Canada of the United States' cloth, taking into account exchange duties, transportation, freight, and brokerage; in many cases, the Canadian price was less, and in some cases substantially less than the laid-down cost of the United States' cloth, particularly in the case of fabrics made by the Dominion Textile Company. Dominion Textile specializes in polyester/cotton blends, the fabric largely used in men's shirts and other drip dry, permanent press, garments. The Board formed the impression that Dominion Textile's operation in the man-made fibre field has followed the pattern of its operation in the all/cotton field, that is, the company has concentrated on weaves and finishes for which the demand merits relatively long runs with the result that its pricing policies in the field of blends are more closely in line with those in cotton. When the clothing manufacturers were asked to express an opinion on relative prices in Canada and the United States they expressed the view that, generally speaking, prices of Canadian fabrics were about 10 per cent less than the price at which similar fabrics could be laid down from United States suppliers.

Another factor which was the subject of some discussion was the matter of "effective protection". From studies made by the Board it would seem that the effective protection in the case of the garment industry is of the order of 20 p.c. In the case of fabrics, the nominal rate is 25 p.c. plus 15 cents per pound, the ad valorem equivalent of this rate, of course, varies with the price/weight relationship of the fabric but on the average it is in the neighbourhood of 31 to 32 p.c.; the effective rate however appears to be close to double this, something in the area of 60 p.c. At the hearing the discussion related not so much to the actual rates of effective protection as to the weight which should be attached to them. In this respect the Board agrees with the remarks of Melvin and Wilkinson, "Effective Protection in the Canadian Economy", on page 50. Referring to their effective tariff computations, the authors state, "... they provide tariff negotiators, other government officials and industry personnel with but a first approximation to the possible impact that the Canadian tariff structure has had upon the returns to labour, capital, and land in the industries concerned.", and further, on page 62, "In conclusion, we suggest that the main use of effective protection rates would seem to be as crude indicators to government and industry of the advantages that have been conferred and the strains that have been imposed upon domestic industry by existing tariffs. But they are only one small building block in the construction of rational policies to promote industrial efficiency and consumer welfare".

Another matter which came up several times in the hearing was the availability of fabrics from Canadian producers. On this point it seems to the Board that, regardless of the capacity of the Canadian producers to deliver quality fabrics on time, and in a wide selection of weaves, designs and colours, having in mind Canada's proximity to the United States and the advertising which reaches

Canada from the United States in many forms, Canadian clothing manufacturers will always feel that, in order to "have something different", they will have to offer a certain percentage of garments made from imported fabrics. Furthermore, because some types of fabrics are made by only one producer in Canada who may be forced to curtail deliveries because of a strike or other work stoppage, the clothing manufacturers, understandably, may consider it good business practice to use a foreign supplier as well.

The Apparel Manufacturers Council of Canada, speaking for the clothing industry, and the Canadian Shirt Manufacturers' Association, in a separate brief, both proposed a most-favoured-nation rate of 20 p.c. on woven fabrics of man-made fibres and duty-free entry for fabrics woven from dyed yarns of man-made fibres, when for use in the manufacture of clothing and wearing apparel.

The brief submitted by the Canadian Textiles Institute, the Textile Workers' Union of America, and the United Textile Workers of America, made no specific tariff recommendations but in a subsequent submission they did suggest that the drawback principle introduced in relation to shirting fabrics might be extended to other areas.

With respect to the drawback or remission of customs duties paid on woven fabrics used in the manufacture of men's and boys' shirts, introduced January 1, 1969, the Canadian Shirt Manufacturers' Association in its submission to the Board stated that it did not seek the continuation or the extension of this arrangement. Such an arrangement, from the shirt-makers' point of view, has a number of disadvantages: not until the end of "a drawback period" does the manufacturer know precisely what his cost of fabrics will be; if in any particular period his use of Canadian fabrics does not amount to at least 25 per cent of his total fabric consumption then he receives no drawback whatever and if in any particular period he were to use Canadian fabrics entirely, there would be no customs duties involved and, of course, no drawback. It also makes it more difficult for the Canadian shirt manufacturer to compare the prices of Canadian fabrics with prices of imported fabrics, since he must estimate at the time of his purchase commitment what the ratio of his use of imported fabrics to his total consumption of fabrics will be in the period when the fabric enters into manufacturing consumption. Furthermore, the scheme ties up certain funds until the drawback is paid and also involves the expense of additional administrative and accounting procedures. If the remission or drawback principle on shirting fabrics were to be continued, it seems to the Board that, in all fairness, it would have to be extended, perhaps not to all areas of the clothing industries, but certainly to some of them. There are many areas besides the manufacture of shirts which have been affected by the same considerations which gave rise to the shirting drawback, namely, competition from imports, reliance to a considerable extent on imported fabrics and a change from cotton fabrics to fabrics containing man-made fibres; these areas include men's and boys' slacks, jackets and work clothes, ladies' blouses, nightwear and outerwear. The importance of the relevant factors in these different areas might be expected to be different from that in the shirting industry and, if the drawback procedure were to be adopted, one can visualize a variety of schemes being introduced, with each area of the industry

pressing for revisions in the light of the arrangements introduced for others: from both the industry and Government point of view, it would mean a proliferation of non-productive, administrative procedures. From the weavers' point of view, it is, of course, preferable to the clothing industry's proposal of a reduction in the duty on fabric. No doubt the weavers recognize that a certain proportion of fabrics used by the clothing industry are going to be imported in any event; the remission of duties on these imports, therefore, would have little or no effect on the Canadian fabric producers. There are admittedly some advantages in the drawback arrangement and it provided a reasonable method, which could be quickly introduced, of meeting an immediate problem; however, the Board considers that it is not the best way to serve the interests of all concerned on a permanent basis.

Let us turn now to the proposal of the clothing industry, particularly the shirt manufacturers, that yarn-dyed fabrics be permitted duty-free entry. The main argument put forward in support of this proposal was that, practically speaking, such fabrics are not produced in Canada. In the weaving of yarn-dyed fabrics, the final pattern or design and colour of the fabric is determined at the weaving stage; to vary the pattern or colour involves a rather costly procedure and the lengths of runs for the Canadian market generally render the production of such fabrics uneconomic. However, a similar effect, in stripes and cross-checks, is now being achieved using yarns with slightly different chemical compositions which take up different colours in the dye-bath so that, although the grey fabric is piece-dyed, the dyeing produces stripes or cross-checks of different colours in the fabric. This procedure is relatively new and the Board was informed that the Dominion Textile Company will be introducing a fairly wide range of such fabrics in 1970.

Yarn-dyed fabrics are, generally speaking, more expensive than piece-dyed fabrics; however, it appears that, with duty-free entry, certain yarn-dyed fabrics would lay down in Canada at prices competitive with some of the deeper coloured piece-dyed fabrics, at least in shirting fabrics, and to this extent, duty-free entry for yarn-dyed fabrics could offer competition to fabrics produced in Canada. Furthermore, and again referring to the shirting industry, the use of yarn-dyed fabrics does not represent a high percentage of the total fabric used. Apparently, their use is cyclical and it just happens that the high point of the current cycle is probably being reached at this time. The Board does not favour the introduction of a special end-use item for yarn-dyed fabrics and recommends that this proposal be rejected.

The Board's terms of reference restrict this study to woven fabrics, containing man-made fibres, used in the manufacture of garments and wearing apparel; there are other uses for such fabrics, for example, drapery and upholstery, but the Board was informed that a survey made by the Canadian Textiles Institute showed that approximately 85 per cent of the Canadian production of such fabrics was for use in the manufacture of garments and wearing apparel. Furthermore, under the terms of reference, the study was to be made within the existing structure of the rates of duty on the garments and wearing apparel and on the materials used by the Canadian fabric manufacturers, such as yarns and staple fibres.

Within this framework then, the Board considers the issue involved to be, basically, the distribution, between the clothing industry and the fabric producers, of the existing tariff protection resulting from the difference in the duty on the finished garments and the duty on the materials used in the production of the fabrics.

All those present at the hearing seemed to agree that, whatever the Board might recommend, imports of clothing and of fabric from the "low-priced" countries would be little affected; one of the fabric producers stated that a reduction in the duty on fabrics might affect his competitive position on some fabrics vis-a-vis imports from Japan but the consensus of opinion was that the tariff was of little consequence in relation to "low-priced" imports. The Board has considered this matter, therefore, mainly in relation to imports from the United States.

There are two aspects of the duty on woven fabrics of man-made fibre which stand out. Firstly, a duty of 25 p.c. plus 15 cents per pound is one of the highest, if not the highest, rate of duty on manufactured products in the Canadian tariff to-day; the ad valorem equivalent is, on the average, about 31 to 32 p.c.

Secondly, it represents an anomaly in the tariff in the sense that, normally, rates of duty become higher from one manufacturing process to the next but in this case the duty on the fabric is greater than that on the garments which is 25 p.c. Thus, the "effective protection" on the fabrics is much greater than the nominal rate -- in fact it is approximately double the nominal rate; on garments the effective protection is substantially less than the nominal rate -- about 20 p.c., whereas the nominal rate is 25 p.c. However, it may well be that, in certain circumstances, a higher rate of effective protection on an intermediate process than that on a subsequent process, is reasonable. In fact the Board is of that opinion in this case. It seems to the Board that the relative efficiencies of spinning yarns, weaving, dyeing and finishing fabrics for the Canadian market and for the United States' market as compared with the relative efficiencies of the "cut and sew" procedures involved in making clothing for the two markets warrant a higher rate of effective protection for the fabric producer.

Another noticeable aspect of the duty on fabrics is that it is a composite duty, having both an ad valorem and a specific component. This type of duty is most frequently used on agricultural or natural products where the value of the product may vary widely from crop to crop and from country to country, depending upon growing conditions; the composite rate serves to stabilize, to some extent, the protection to domestic producers. The composite duty is rarely used on manufactured goods. In this case it may have served a useful purpose in the 1930's and the early days of the synthetic or man-made fibre industry when prices may have fluctuated more widely as newer fibres were being introduced; however, there seems to be no good reason for maintaining a composite rate on these fabrics at this time.

We have stated earlier that, in our view, the fabric producers need a higher rate of effective protection than the clothing industry but do they need as much as they have, or should some of it be passed on to the clothing industry?

Most indicators suggest that the past decade has been a period of great growth for the man-made textile industry and the weavers appear to have participated in this growth. Because the fabric producers are engaged in other activities as well, their financial statements are not necessarily a true indication of the results of their man-made fibre woven fabric operations. However, for some companies, these operations form a major part of their activities and these companies seem to have prospered, especially in the past few years. In these circumstances perhaps the best evidence that the fabric producers do not need the rate of protection they now enjoy is that they do not appear to be taking full advantage of the existing tariff, even although many of them are the sole Canadian producers of certain types of fabrics. The extent to which the Canadian producers are pricing their fabrics below the laid-down costs of similar fabrics from the United States varies from producer to producer and from fabric to fabric. Representations of the clothing industry expressed the opinion that, generally speaking, prices of Canadian fabrics were about 10 per cent less than the laid-down costs of similar fabrics from the United States.

The clothing industry showed considerably slower growth in the past decade than manufacturing industries as a whole; in fact the total value of clothing shipments has fallen somewhat from the peak reached in 1966. Again, industry figures are not segregated to reflect results for those garments using only the woven fabrics in issue.

On the basis of the available information, the Board is of the opinion that, generally speaking, the fabric producers have done somewhat better than the clothing industry; however the Board also formed the impression that, in both sectors, in spite of the problems they have faced in the past decade, those businesses with good management and enterprise have been well rewarded.

As mentioned earlier, the Board is not recommending the continuation or expansion of the drawback or remission principle nor is it recommending a special end-use item for yarn-dyed fabrics. It does seem to the Board, however, that a transfer to the clothing industry of some of the protection which the fabric producers now enjoy would result in a more equitable distribution of the existing protection than at present. Accordingly the Board recommends a rate of 25 p.c. with no specific component, under the Most-Favoured-Nation Tariff for those woven fabrics described under tariff item 56205-1, when for use in the manufacture of garments and wearing apparel. The Board recommends no change in the British Preferential rate of 22½ p.c.; taking into account the ten per cent discount for direct shipment, this rate still provides a significant preference.

The most-favoured-nation rate of 25 p.c. on man-made fabrics would not be less than the rate on most clothing made of such fabrics, but at least it would not be greater. In the result, the effective protection for the fabric producer would still be greater than that for the clothing manufacturer.

The Board has not overlooked the fact that the rate on the fabrics has already been reduced considerably since 1966; nevertheless,

the recommended rate of 25 p.c. is substantial and, in the Board's view, adequate. In to-day's world of instant communication and rapid transportation, with the formation and expansion of customs unions and free trade areas, with developing nations abroad and inflationary pressures at home, it seems clear that rates of duties of the magnitude of those which, since the 1930's, have applied on woven fabrics of man-made fibres are neither in the national interest nor in the best interests of the industry itself.

As far as the clothing industry is concerned, the reduction of the duty on fabrics to 25 p.c. should not only assist that industry to meet competition from the United States, which admittedly has not been a significant factor in recent years, but also, and perhaps more important, to hold existing price levels and perhaps even to reduce them. The consumer may or may not benefit in the way of lower prices but it may be that the quality of the fabrics in garments may be up-graded somewhat without an increase in the price of the garments.

With respect to prices and fabric costs the following information may be of interest. It shows the relationship between fabric costs, the clothing manufacturer's selling price to the retailer and the retailer's selling price to the consumer for four representative articles of wearing apparel.

<u>Garment</u>	<u>Shell Fabric Cost</u>	<u>Manufacturer's Price to Retailer^(a)</u>	<u>Retail Price^(b)</u>
6 Ladies' Dresses	20.92	95.50	200.85
2 Children's Snowsuits	9.63	23.25	44.90
3 Men's Windbreakers	8.42	32.00	63.85
5 Men's Shirts	6.13	23.04	46.00

(a) Exclusive of Federal Sales Tax

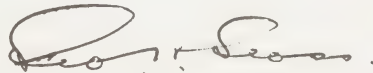
(b) Exclusive of Provincial Retail Sales Tax

RECOMMENDED SCHEDULE

It is recommended that Schedule "A" to the Customs Tariff be amended by inserting therein the following enumeration of goods and rates of duty:

Goods Subject to Duty and Free Goods	British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff
Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty per cent, by weight, of silk, exceeding twelve inches in width, when for use in the manufacture of garments and wearing apparel	22 $\frac{1}{2}$ p.c.	25 p.c.	45 p.c. 40 cts.
and, per pound			

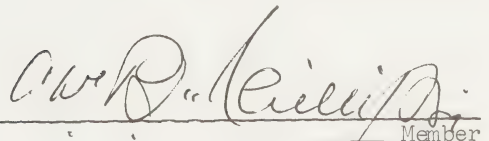
Woven fabrics containing five per cent or less, by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under this item but shall be dutiable as though composed wholly of the remaining constituents.



First Vice-Chairman



Second Vice-Chairman



Member

Ottawa, January 15, 1970

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Table 1

Imports: Polyester broad woven fabrics s.c. 375-45^(a)

Tariff Items: 56205-1, 56225-1, 56300-1 and 56705-1

Year	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable</u>
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1966	755	3,374	4.47	3,344	100	29.9
1967	944	4,368	4.63	4,296	1,238	28.8
1968	1,530	6,335	4.14	6,260	1,776	28.4
<u>Japan</u>						
1966	171	533	3.13	533	193	36.2
1967	173	593	3.43	571	199	34.9
1968	591	1,806	3.06	1,795	632	35.2
<u>France</u>						
1966	70	481	6.86	480	153	31.8
1967	119	764	6.40	764	239	31.2
1968	117	641	5.46	641	203	31.6
<u>Germany, West</u>						
1966	58	374	6.42	373	60	16.1
1967	108	695	6.45	695	112	16.2
1968	157	1,056	6.73	1,055	166	15.7
<u>United States</u>						
1966	396	1,659	4.19	1,639	523	31.9
1967	466	1,872	4.02	1,852	589	31.8
1968	517	2,115	4.09	2,093	613	29.3

^(a) Prior to 1966 included in s.c. 375-99

Table 2

Imports: Nylon broad woven fabrics s.c. 375-39(a)

Tariff Items: 56205-1, 56220-1, 56250-1 and 56300-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit Value</u>	<u>Dutiable Value</u>	<u>Duty Collected</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>\$/lb.</u>	<u>\$</u>	<u>\$</u>	
	(000)	(000)		(000)	(000)	
<u>Total</u>						
1964	916	3,289	3.59	3,074	1,057	34.4
1965	902	3,066	3.40	2,806	980	34.9
1966	892	2,986	3.35	2,552	889	34.8
1967	996	3,412	3.43	2,944	979	33.2
1968	1,214	3,874	3.19	3,205	1,045	32.6
<u>Japan</u>						
1964	147	525	3.57	525	184	35.1
1965	222	652	2.94	651	237	36.4
1966	237	618	2.60	615	230	37.4
1967	201	626	3.12	602	218	36.2
1968	234	828	3.54	794	268	33.8
<u>United States</u>						
1964	742	2,604	3.51	2,481	854	34.4
1965	601	2,124	3.53	1,987	685	34.5
1966	597	2,060	3.45	1,846	631	34.2
1967	689	2,330	3.38	2,180	711	32.6
1968	682	2,064	3.03	1,940	639	32.9

(a) Prior to 1964 included in s.c. 3372 & s.c. 3392

Table 3

Imports: Rayon man-made mixture broad woven fabrics n.e.s., s.c.
377-67(a)

Tariff Items: 56205-1 and 56225-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit Value</u>	<u>Dutiable Value</u>	<u>Duty Collected</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>\$/lb.</u>	<u>\$</u>	<u>\$</u>	
	(000)	(000)		(000)	(000)	
<u>Total</u>						
1967	3,701	7,604	2.05	7,598	2,950	38.8
1968	3,994	8,001	2.00	7,997	3,031	37.9
<u>Italy</u>						
1967	351	609	1.74	609	251	41.3
1968	378	686	1.81	684	269	39.3
<u>Japan</u>						
1967	348	663	1.90	663	268	40.4
1968	221	410	1.86	410	163	39.6
<u>United States</u>						
1967	2,873	5,849	2.04	5,844	2,269	38.8
1968	3,111	6,242	2.01	6,240	2,364	37.9

(a) Prior to 1967 included in s.c. 377-69

Table 4

Imports: Rayon broad woven fabrics, viscose or acetate s.c. 375-19^(a)

Tariff Items: 56205-1, 56220-1, 56225-1 and 56300-1

Year	Total Imports		Unit Value	Dutiable Value	Duty Collected	Duty as % of Dutiable Value
	lb.	\$	\$/lb.	\$	\$	
	(000)	(000)		(000)	(000)	
<u>Total</u>						
1964	10,220	17,099	1.67	16,894	6,235	36.9
1965	11,364	17,733	1.56	17,498	6,583	37.6
1966	9,607	15,667	1.63	15,430	5,882	38.1
1967	10,851	17,843	1.64	17,591	6,898	39.2
1968	10,135	16,426	1.62	16,216	6,110	37.7
<u>United Kingdom</u>						
1964	965	1,375	1.43	1,374	272	19.8
1965	938	1,412	1.51	1,398	283	20.2
1966	806	1,238	1.54	1,211	246	20.3
1967	778	1,178	1.51	1,160	235	20.2
1968	636	963	1.52	955	194	20.3
<u>Italy</u>						
1964	333	645	1.94	645	249	38.6
1965	364	725	1.99	725	280	38.7
1966	336	670	1.99	668	253	37.9
1967	842	1,490	1.77	1,488	580	39.0
1968	838	1,529	1.82	1,524	585	38.4
<u>Poland</u>						
1964	96	71	.74	65	37	56.5
1965	348	274	.79	253	139	54.9
1966	446	363	.81	356	194	54.3
1967	679	579	.85	579	306	52.8
1968	952	825	.87	825	419	50.8
<u>Japan</u>						
1964	2,641	3,754	1.42	3,752	1,626	43.3
1965	3,724	4,738	1.27	4,732	2,143	45.3
1966	2,585	2,972	1.15	2,967	1,397	47.1
1967	3,446	3,933	1.14	3,933	1,848	47.0
1968	2,646	3,256	1.23	3,256	1,433	44.0

Table 4
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$ (000)	\$ (000)	
<u>United States</u>						
1964	3,799	7,991	2.10	7,825	3,005	38.4
1965	3,307	6,974	2.11	6,804	2,607	38.3
1966	3,498	7,682	2.17	7,498	2,826	37.7
1967	3,501	8,107	2.32	7,927	2,951	37.2
1968	2,867	6,840	2.39	6,647	2,382	35.8

(a) Prior to 1964 included in s.c. 3229 and s.c. 3372

Table 5

Imports: Broad woven synthetic mix fabrics n.e.s., s.c. 377-79^(a)

Tariff Items: 56205-1 and 56225-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$ (000)	\$ (000)	
			<u>Total</u>			
1964	1,917	4,302	2.24	3,806	1,438	37.8
1965	1,166	2,357	2.02	2,356	920	39.0
1966	1,798	3,023	1.68	3,023	1,072	35.5
1967	794	1,731	2.18	1,726	637	36.9
1968	533	1,142	2.14	1,141	423	37.1
			<u>Japan</u>			
1964	198	360	1.82	360	146	40.5
1965	75	131	1.75	131	53	40.3
1966	10	22	2.25	22	9	38.8
1967	73	182	2.48	182	69	37.9
1968	100	230	2.30	230	85	37.0
			<u>United States</u>			
1964	1,627	3,662	2.25	3,168	1,203	38.0
1965	1,041	2,085	2.00	2,084	822	39.4
1966	1,644	2,741	1.67	2,741	984	35.9
1967	641	1,294	2.02	1,290	488	37.8
1968	363	712	1.96	711	273	38.4

(a) Prior to 1964 included in s.c. 3229 and 3372

Table 6

Imports: Broad woven fabrics of one man-made fibre n.e.s.,
s.c. 375-99(a)

Tariff Items: 56205-1, 56225-1, 56300-1 and 56705-1

Year	Total Imports		Unit	Dutiable	Duty	Duty as
	lb.	\$	Value	Value	Collected	% of
	(000)	(000)	\$/lb.	\$	\$	Dutiable
				(000)	(000)	Value
<u>Total</u>						
1964	987	3,731	3.78	3,647	1,112	30.5
1965	1,019	4,142	4.07	4,058	1,231	30.3
1966	511	1,360	2.66	1,345	428	31.8
1967	682	1,963	2.88	1,938	661	34.1
1968	1,029	2,457	2.39	2,445	878	35.9
<u>France</u>						
1964	55	332	5.98	332	106	32.0
1965	98	648	6.59	647	204	31.6
1966	3	17	5.32	17	6	33.4
1967	4	18	4.85	18	6	33.8
1968	4	17	4.80	17	6	32.8
<u>Germany, West</u>						
1964	63	344	5.49	343	55	16.1
1965	61	377	6.18	373	62	16.5
1966	13	71	5.31	71	18	24.8
1967	19	74	3.81	69	24	34.2
1968	28	114	4.04	114	37	32.4
<u>Sweden</u>						
1964	55	180	3.26	180	65	36.0
1965	57	196	3.42	196	69	35.5
1966	64	200	3.12	200	72	36.0
1967	96	314	3.28	314	113	36.1
1968	141	450	3.20	450	157	35.0
<u>Japan</u>						
1964	137	346	2.53	342	126	36.8
1965	219	594	2.71	594	218	36.6
1966	37	101	2.74	101	27	27.2
1967	136	337	2.49	337	113	33.7
1968	309	746	2.41	746	268	36.0

Table 6
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	Duty as % of Dutiable Value
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$ (000)	\$ (000)	
<u>United States</u>						
1964	615	2,272	3.69	2,208	709	32.1
1965	520	2,031	3.91	1,981	622	31.4
1966	345	818	2.37	809	261	32.3
1967	349	997	2.85	981	335	34.1
1968	412	782	1.90	771	292	37.8

(a) Prior to 1964 was included in s.c. 3229 and 3372

Table 7

Imports: Polyester-cotton broad woven fabrics n.e.s., s.c. 377-75(a)

Tariff Items: 56205-1 and 56225-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$	\$	
				(000)	(000)	
<u>Total</u>						
1965	2,119	4,397	2.08	3,876	1,460	37.7
1966	2,638	5,212	1.98	5,212	2,060	39.5
1967	3,151	6,148	1.95	6,148	2,455	39.9
1968	6,840	12,719	1.86	12,719	4,963	39.0
1969						
<u>Japan</u>						
1965	434	695	1.60	695	293	42.1
1966	901	1,596	1.77	1,596	659	41.3
1967	969	1,667	1.72	1,667	689	41.3
1968	2,613	4,327	1.66	4,327	1,741	40.2
1969						
<u>United States</u>						
1965	1,665	3,636	2.18	3,115	1,146	36.8
1966	1,713	3,541	2.07	3,541	1,374	38.8
1967	2,097	4,267	2.03	4,267	1,691	39.6
1968	4,165	8,235	1.98	8,235	3,166	38.4

(a) Prior to 1965 included in s.c. 377-79

Imports: Rayon-polyester broad woven fabrics n.e.s., s.c. 377-65^(a)

Tariff Items: 56205-1 and 56225-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$/lb.	\$	\$	
				(000)	(000)	
	<u>Total</u>					
1965	358	920	2.57	920	339	36.8
1966	576	1,329	2.31	1,329	502	37.7
1967	517	1,428	2.76	1,428	523	36.6
1968	934	2,157	2.31	2,157	791	36.7
	<u>Japan</u>					
1965	115	271	2.36	271	104	38.3
1966	242	470	1.95	470	187	39.9
1967	144	369	2.57	369	138	37.4
1968	269	587	2.18	587	219	37.4
	<u>United States</u>					
1965	234	614	2.62	614	225	36.7
1966	307	778	2.54	778	286	36.8
1967	340	960	2.82	960	350	36.5
1968	596	1,415	2.37	1,415	517	36.5

(a) Prior to 1965 included in s.c. 377-69

Table 9

Imports: Rayon mixture broad woven fabrics n.e.s., s.c. 377-69(a)

Tariff Items: 56205-1 and 56225-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit Value</u>	<u>Dutiable Value</u>	<u>Duty Collected</u>	<u>Duty as % of Dutiable Value</u>
	<u>lb</u>	<u>\$</u>				
	(000)	(000)	\$/lb	(000)	(000)	
<u>Total</u>						
1964	8,452	16,479	1.95	16,474	6,327	38.4
65	8,654	16,811	1.94	16,805	6,555	39.0
66	8,722	16,670	1.91	16,666	6,477	38.9
67	5,261	9,190	1.75	9,182	3,686	40.1
68	4,510	8,682	1.93	8,673	3,263	37.6
<u>Italy</u>						
1964	698	1,081	1.55	1,081	458	42.4
65	875	1,354	1.55	1,354	576	42.5
66	849	1,218	1.43	1,218	533	43.8
67	701	942	1.34	942	420	44.6
68	593	847	1.43	847	353	41.7
<u>Japan</u>						
1964	694	1,195	1.72	1,194	490	41.1
65	775	1,087	1.40	1,087	473	43.6
66	1,108	1,677	1.51	1,677	720	43.0
67	1,300	1,667	1.28	1,667	757	45.4
68	920	1,688	1.84	1,688	663	39.3
<u>United States</u>						
1964	6,243	12,567	2.01	12,562	4,888	38.9
65	6,288	12,851	2.04	12,847	5,025	39.1
66	5,998	12,261	2.04	12,259	4,743	38.7
67	2,622	5,440	2.08	5,436	2,139	39.4
68	2,334	4,879	2.09	4,869	1,844	37.9

(a) Prior to 1964 included in s.c. 3229 and 3372

Table 10

Imports: Shirts, synthetic fibres, except knitted s.c. 783-42^(a)

Tariff Item: 56300-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as %</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	<u>of Dutiable</u>
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1961	1,813	1,271	.70	1,271	349	27.5
1962	1,562	1,082	.69	1,082	355	32.8
1963	1,192	867	.73	867	253	29.2
1964	2,147	1,577	.73	1,577	427	27.1
1965	1,962	1,581	.81	1,581	429	27.1
1966	2,865	2,496	.87	2,496	687	27.5
1967	6,425	5,245	.82	5,245	1,420	27.1
1968	11,864	9,817	.83	9,785	2,531	25.9

Hong Kong

1961	98	63	.64	63	17	27.5
1962	99	68	.68	68	24	35.2
1963	256	153	.60	153	44	28.9
1964	933	683	.73	683	185	27.1
1965	729	539	.74	539	147	27.3
1966	995	823	.83	823	226	27.4
1967	3,044	2,271	.75	2,271	620	27.3
1968	1,999	1,588	.79	1,588	424	26.7

Japan

1961	1,615	1,022	.63	1,022	281	27.5
1962	1,379	869	.63	869	286	32.9
1963	872	610	.70	610	179	29.4
1964	410	330	.81	330	89	27.0
1965	654	541	.83	541	146	26.9
1966	1,056	988	.94	988	270	27.4
1967	1,279	1,163	.91	1,163	316	27.2
1968	2,381	2,278	.96	2,278	609	26.7

Table 10
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as %</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	<u>of Dutiable</u>
	(000)	(000)	\$	\$	(000)	Value
<u>Taiwan</u>						
1961	26	8	.32	8	2	27.5
1962	38	16	.42	16	4	27.2
1963	30	15	.50	15	4	29.8
1964	712	413	.58	413	112	27.1
1965	359	191	.53	191	52	27.0
1966	608	318	.52	318	87	27.4
1967	1,465	1,014	.69	1,014	272	26.8
1968	4,251	2,750	.65	2,750	736	26.8
<u>Korea</u>						
1961-65	-	-	-	-	-	-
1966	29	22	.75	22	11	49.4
1967	452	371	.82	371	101	27.1
1968	1,432	1,159	.81	1,159	311	26.8
<u>United States</u>						
1961	72	173	2.42	173	48	27.5
1962	42	121	2.89	121	39	32.2
1963	33	80	2.46	80	23	28.9
1964	80	130	1.63	130	35	27.3
1965	95	212	2.22	212	58	27.4
1966	155	297	1.92	297	82	27.5
1967	104	280	2.70	280	77	27.4
1968	164	463	2.82	463	124	26.9

(a) Prior to 1964 was s.c. 3925

Table 11

Imports: Shirts, except knitted n.e.s., s.c. 783-43^(a)

Tariff Items: 53305-1, 54305-1 and 55303-1

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
<u>Total</u>						
1961	15	52	3.36	52	14	26.8
1962	24	62	2.63	62	21	33.1
1963	9	35	3.88	35	10	27.5
1964	20	76	3.86	76	21	27.1
1965	57	140	2.47	140	37	26.8
1966	74	189	2.55	189	51	26.8
1967	339	416	1.23	416	105	25.2
1968	1,745	1,564	.90	1,563	381	24.4

United Kingdom

1961	2	10	5.58	10	2	22.6
1962	1	7	6.78	7	2	27.4
1963	1	7	7.57	7	2	23.1
1964	1	8	6.92	8	2	22.1
1965	2	10	6.20	10	2	22.7
1966	3	19	5.93	19	4	22.4
1967	3	17	6.66	17	4	22.2
1968	1	8	6.23	8	2	22.2

France

1961	*	1	3.85	1	*	27.8
1962	*	*	3.56	*	*	37.2
1963	*	1	7.07	1	*	28.8
1964	*	*	36.50	*	*	27.4
1965	-	-	-	-	-	-
1966	*	*	6.33	*	*	27.2
1967	1	6	5.78	6	2	26.4
1968	*	1	2.89	1	*	27.9

Table 11
(Cont'd)

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Ireland</u>						
1961	*	1	6.55	1	*	22.5
1962	*	2	9.11	2	1	31.1
1963	*	1	9.05	1	*	24.2
1964	*	2	9.13	2	*	22.4
1965	*	2	10.54	2	*	22.4
1966	*	2	8.24	2	1	23.1
1967	*	5	10.34	5	1	22.5
1968	1	5	7.47	5	1	22.1
<u>Italy</u>						
1961	2	14	6.13	14	4	29.9
1962	1	10	7.02	10	3	34.6
1963	1	7	7.13	7	2	29.4
1964	3	26	7.57	26	8	29.7
1965	1	10	9.01	10	3	29.3
1966	1	10	9.45	10	3	30.0
1967	1	5	6.95	5	1	28.0
1968	*	2	11.57	2	*	28.9
<u>Switzerland</u>						
1961	*	*	5.33	*	*	27.6
1962	*	1	6.05	1	*	37.2
1963	*	*	6.13	*	*	27.5
1964	*	*	6.14	*	*	27.4
1965	1	5	6.39	5	1	27.5
1966	*	2	6.28	2	1	26.7
1967	*	3	6.06	3	1	27.2
1968	1	3	4.78	3	1	25.4
<u>Japan</u>						
1961	2	6	2.26	6	1	24.7
1962	2	3	1.83	3	1	28.4
1963	1	1	2.12	1	*	27.0
1964	4	9	2.39	9	2	26.6
1965	31	74	2.37	74	20	27.3
1966	41	85	2.11	85	23	26.9
1967	233	244	1.05	244	62	25.3
1968	881	855	.97	855	207	24.3

Table 11
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$ (000)	\$ (000)	Value
<u>Hong Kong</u>						
1961	-	-	-	-	-	-
1962	11	18	1.60	18	7	37.3
1963	*	*	8.08	*	*	29.9
1964	6	14	2.19	14	4	27.5
1965	3	7	2.31	7	2	28.3
1966	15	23	1.59	23	7	28.6
1967	85	90	1.06	90	22	24.7
1968	746	560	.75	560	136	24.3
<u>United States</u>						
1961	8	19	2.34	19	5	27.5
1962	8	21	2.65	21	6	31.5
1963	6	18	2.87	18	5	28.4
1964	5	17	3.53	17	4	25.9
1965	6	20	3.05	20	5	26.7
1966	11	41	3.65	41	11	26.2
1967	9	32	3.61	32	8	25.7
1968	26	62	2.36	62	15	24.9

(a) Beginning in 1969 included in s.c. 783-44 and 783-47;
prior to 1964 s.c. 3926

Table 12

Imports: Shorts, outerwear, except knitted s.c. 783-51^(a)

Tariff Items: 52305-1, 54305-1 and 56300-1

Year	Total Imports		Unit Value	Dutiable Value	Duty Collected	Duty as % of Dutiable Value
	No. (000)	\$ (000)	\$	\$ (000)	\$ (000)	
<u>Total</u>						
1961	1,042	487	.47	487	122	25.1
1962	1,133	545	.48	545	140	25.7
1963	977	513	.53	513	151	29.5
1964	1,294	749	.58	749	190	25.4
1965	1,631	1,000	.61	1,000	253	25.3
1966	1,559	857	.55	857	229	26.7
1967	2,311	1,490	.64	1,489	383	25.7
1968	3,277	2,122	.65	2,121	528	24.9
<u>Hong Kong</u>						
1961	674	261	.39	261	65	25.0
1962	860	331	.39	331	82	24.8
1963	610	293	.48	293	85	29.1
1964	563	285	.51	285	71	25.1
1965	883	491	.56	491	121	24.7
1966	708	403	.57	403	101	25.2
1967	884	644	.73	644	166	25.8
1968	742	520	.70	520	131	25.2
<u>Japan</u>						
1961	266	125	.47	125	32	25.2
1962	167	85	.51	85	23	26.9
1963	121	56	.46	56	18	32.3
1964	381	237	.62	237	59	24.8
1965	316	221	.70	221	55	25.1
1966	329	190	.58	190	48	25.4
1967	456	345	.76	345	90	26.0
1968	661	599	.91	599	151	25.3
<u>Taiwan</u>						
1961	53	14	.26	14	3	25.1
1962	38	10	.26	10	2	25.0
1963	123	38	.31	38	10	26.4
1964	99	39	.39	39	10	25.4
1965	71	32	.45	32	9	27.0
1966	48	23	.48	23	6	25.0
1967	212	73	.34	73	18	25.2
1968	530	228	.43	228	57	25.2

Table 12
(Cont'd)

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Korea</u>						
1961-62	-	-	-	-	-	-
1963	76	32	.41	32	11	33.6
1964	84	28	.33	28	9	33.8
1965	133	45	.34	45	15	34.2
1966	412	139	.34	139	48	34.2
1967	483	197	.41	197	50	25.3
1968	814	393	.48	393	97	24.7
<u>United States</u>						
1961	42	64	1.50	64	16	25.4
1962	49	81	1.65	81	22	27.0
1963	30	62	2.05	62	19	29.6
1964	22	48	2.14	48	13	26.3
1965	53	88	1.68	88	23	25.6
1966	41	65	1.59	65	17	26.0
1967	153	160	1.04	160	42	26.0
1968	108	147	1.35	147	37	25.0

(a) Prior to 1969 s.c. 783-46; prior to 1964 s.c. 3927

Table 13

Imports: Outerwear sets, women's and girls', except knitted s.c.
783-95^(a)

Tariff Items: 52305-1, 53305-1, 54305-1 and 56300-1

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1961	886	920	1.04	920	236	25.7
1962	770	872	1.13	872	253	29.0
1963	966	936	.97	936	273	29.2
1964	597	660	1.10	660	168	25.4
1965	998	942	.94	942	239	25.4
1966	1,135	1,104	.97	1,104	279	25.3
1967	1,098	1,375	1.25	1,375	348	25.3
1968	1,421	1,665	1.17	1,665	411	24.7

United Kingdom

1961	2	32	21.14	32	7	22.0
1962	1	16	26.41	16	4	27.8
1963	1	24	46.07	24	6	25.9
1964	1	23	23.04	23	5	21.6
1965	1	23	34.09	23	5	21.5
1966	1	33	22.90	33	7	22.2
1967	5	125	23.83	125	28	22.4
1968	4	137	31.52	137	30	21.9

France

1961	1	35	35.81	35	10	27.6
1962	1	33	50.47	33	12	36.5
1963	1	43	46.12	43	13	29.8
1964	1	37	32.41	37	10	27.5
1965	1	31	33.32	31	9	27.0
1966	1	54	47.98	54	15	27.4
1967	3	135	41.83	135	37	27.2
1968	2	120	50.90	120	32	26.9

Hong Kong

1961	29	22	.75	22	6	25.4
1962	49	43	.89	43	12	27.8
1963	142	143	1.01	143	43	29.9
1964	52	63	1.21	63	17	27.2
1965	75	87	1.17	87	23	26.9
1966	295	243	.82	243	61	25.0
1967	82	101	1.23	101	26	26.0
1968	104	135	1.30	135	35	25.6

Table 13
(Cont'd)

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
<u>Japan</u>						
1961	802	615	.77	615	156	25.4
1962	649	561	.86	561	160	28.5
1963	705	517	.73	517	150	29.0
1964	520	392	.75	392	97	24.7
1965	755	604	.80	604	150	24.8
1966	621	499	.80	499	125	25.0
1967	633	620	.98	620	154	24.9
1968	792	752	.95	752	182	24.2
<u>Taiwan</u>						
1961	4	1	.32	1	*	25.0
1962	24	9	.35	9	2	25.6
1963	87	31	.36	31	8	25.7
1964	1	1	.65	1	*	24.9
1965	143	47	.33	47	12	26.4
1966	174	84	.48	84	22	25.9
1967	315	148	.47	148	38	25.8
1968	370	170	.46	170	43	25.4
<u>Chinese People's Republic</u>						
1961-64	-	-	-	-	-	-
1965	*	1	3.79	1	*	27.4
1966	12	17	1.42	17	4	24.7
1967	30	47	1.58	47	11	24.5
1968	57	108	1.90	108	26	24.0
<u>United States</u>						
1961	47	179	3.84	179	47	26.5
1962	42	170	4.01	170	50	29.5
1963	28	128	4.63	128	39	30.5
1964	18	96	5.35	96	26	26.5
1965	20	89	4.59	89	24	26.6
1966	28	121	4.38	121	32	26.2
1967	19	101	5.38	101	27	26.6
1968	23	108	4.66	108	28	26.1

(a) Prior to 1964 was s.c. 3930

Table 14

Imports: Outerwear, except knitted, n.e.s., s.c. 783-99^(a)

Tariff Items: 52305-1, 53305-1, 56300-1 and 61905-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
				(000)	(000)	
<u>Total</u>						
1961	2,447	2,735	1.12	2,732	696	25.5
1962	2,335	2,450	1.05	2,446	738	30.2
1963	1,932	2,120	1.10	2,116	578	27.3
1964	2,070	2,194	1.06	2,190	557	25.4
1965	2,163	2,537	1.17	2,536	653	25.8
1966	2,875	3,462	1.20	3,462	878	25.4
1967	3,105	3,947	1.27	3,944	1,001	25.4
1968	3,327	3,508	1.05	3,506	883	25.2

China, Communist

1961	*	*	15.00	*	*	30.0
1962	*	1	6.86	1	*	32.1
1963	1	2	2.30	2	1	25.1
1964	64	75	1.18	75	19	25.1
1965	155	249	1.61	249	61	24.5
1966	460	837	1.82	837	205	24.5
1967	675	1,154	1.71	1,154	283	24.6
1968	328	457	1.39	457	110	24.1

Japan

1961	1,390	1,147	.83	1,147	294	25.6
1962	1,191	936	.79	936	295	31.5
1963	1,088	872	.80	872	239	27.4
1964	839	752	.90	752	192	25.5
1965	842	797	.95	797	205	25.7
1966	854	846	.99	846	219	25.9
1967	560	663	1.19	663	171	25.8
1968	538	684	1.27	684	171	25.0

Taiwan

1961	42	25	.61	25	6	25.3
1962	2	1	.33	1	*	25.0
1963	82	43	.52	43	11	26.5
1964	312	227	.73	227	58	25.7
1965	367	222	.61	222	57	25.6
1966	670	315	.47	315	83	26.2
1967	770	374	.49	374	99	26.5
1968	1,036	441	.43	441	113	25.6

Table 14
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
				(000)	(000)	
<u>Hong Kong</u>						
1961	377	229	.61	229	59	25.8
1962	376	233	.62	233	66	28.4
1963	331	258	.78	258	73	28.2
1964	417	204	.49	204	52	25.6
1965	296	236	.80	236	61	26.0
1966	543	473	.87	473	120	25.4
1967	639	482	.75	482	123	25.4
1968	654	555	.85	555	140	25.2
<u>United States</u>						
1961	532	874	1.64	874	227	25.9
1962	545	769	1.41	768	223	29.1
1963	226	461	2.04	460	130	28.2
1964	208	472	2.27	471	120	25.4
1965	230	556	2.42	556	146	26.2
1966	241	555	2.30	555	144	25.9
1967	246	577	2.34	576	152	26.4
1968	418	654	1.56	654	169	25.9

(a) Prior to 1967 included s.c. 783-09; "Bathrobes, Dressing Gowns and Housecoats"; prior to 1964 s.c. 3939 "Outerwear, except knitted, n.o.p."

Table 15

Imports: Overcoats and outdoor jackets, s.c. 783-19^(a)

Tariff Items: 52305-1, 53305-1, 56300-1, 61120-1 and 61905-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as %</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	<u>of Dutiable</u>
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1961	402	2,532	6.30	2,532	640	25.3
1962	318	2,463	7.75	2,463	751	30.5
1963	393	2,641	6.72	2,641	746	28.3
1964	844	3,954	4.69	3,954	1,012	25.6
1965	1,951	5,419	2.78	5,419	1,397	25.8
1966	2,085	5,598	2.68	5,598	1,455	26.0
<u>United Kingdom</u>						
1961	37	699	18.92	699	159	22.7
1962	27	580	21.86	580	162	27.9
1963	23	497	21.73	497	125	25.2
1964	32	699	22.11	699	157	22.5
1965	33	797	24.28	797	176	22.1
1966	31	786	25.55	786	170	21.6
<u>Japan</u>						
1961	215	665	3.09	665	171	25.7
1962	135	436	3.22	436	121	27.8
1963	120	298	2.47	298	86	28.9
1964	424	710	1.67	710	183	25.8
1965	1,305	1,925	1.48	1,925	508	26.4
1966	1,214	1,737	1.43	1,737	466	26.8
<u>United States</u>						
1961	41	336	8.22	336	89	26.5
1962	39	346	8.84	346	106	30.7
1963	40	434	10.88	434	124	28.7
1964	64	524	8.19	524	141	26.9
1965	115	622	5.39	622	167	26.9
1966	64	598	9.36	598	162	27.1

(a) Prior to 1964 s.c. 3913, "Overcoats and windbreakers". Beginning in 1967 included in s.c. 783-17 and s.c. 783-18

Table 16

Imports: Pants, men's and boys' n.e.s., s.c. 783-35^(a)

Tariff Items: 54305-1 and 56300-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1961	1,316	1,454	1.10	1,454	399	27.4
1962	1,372	1,598	1.17	1,598	512	32.0
1963	1,461	1,615	1.11	1,615	470	29.1
1964	1,976	2,160	1.09	2,160	584	27.0
1965	2,248	3,399	1.51	3,399	923	27.1
1966	1,954	3,711	1.90	3,711	1,006	27.1
1967	3,741	6,789	1.81	6,789	1,808	26.6
1968	6,655	11,975	1.80	11,972	3,087	25.8

Hong Kong

1961	221	154	.70	154	42	27.2
1962	200	180	.90	180	65	36.2
1963	225	217	.96	217	65	30.1
1964	88	107	1.21	107	29	26.8
1965	164	310	1.90	310	84	27.2
1966	407	799	1.96	799	217	27.1
1967	1,843	3,140	1.70	3,140	826	26.3
1968	3,226	5,168	1.60	5,168	1,333	25.8

Japan

1961	1,053	1,130	1.07	1,130	311	27.5
1962	1,146	1,297	1.13	1,297	408	31.5
1963	979	1,108	1.13	1,108	324	29.2
1964	1,016	1,244	1.23	1,244	337	27.0
1965	1,225	1,567	1.28	1,567	426	27.2
1966	907	1,214	1.34	1,214	330	27.2
1967	951	1,653	1.74	1,653	441	26.7
1968	1,128	2,012	1.78	2,012	524	26.1

Table 16
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
			(000)	(000)	(000)	
<u>Taiwan</u>						
1961-2	-	-	-	-	-	-
1963	218	156	.72	156	42	27.1
1964	808	585	.72	585	158	27.0
1965	491	344	.70	344	93	27.1
1966	119	81	.68	81	22	27.4
1967	273	168	.61	168	45	27.0
1968	905	1,090	1.20	1,090	290	26.6
<u>United States</u>						
1961	33	121	3.72	121	33	27.4
1962	18	76	4.32	76	24	31.1
1963	22	90	4.11	90	26	29.0
1964	55	167	3.02	167	45	27.1
1965	338	1,105	3.27	1,105	299	27.1
1966	387	1,456	3.76	1,456	393	27.0
1967	343	1,442	4.21	1,442	391	27.1
1968	556	2,379	4.28	2,379	635	26.7

(a) Prior to 1964 was s.c. 3921, "Pants and breeches men's and boys' n.e.s. Effective Jan. 1969 part of s.c. 783-35 forms new class 783-34, "Pants men's and boys', polyester-cotton blend"

Table 17

Imports: Pants and slacks, women's, girls' and children's,
except knitted, s.c. 783-52^(a)

Tariff Items: 52305-1, 54305-1 and 56300-1

Year	Total Imports		Unit Value \$	Dutiable Value \$ (000)	Duty Collected \$ (000)	Duty as % of Dutiable Value
	No.	\$				
	(000)	(000)				
<u>Total</u>						
1961	2,245	1,769	.79	1,769	457	25.8
1962	2,779	2,197	.79	2,197	686	31.2
1963	2,123	1,613	.76	1,613	447	27.7
1964	1,794	1,715	.96	1,715	441	25.7
1965	2,360	2,193	.93	2,193	575	26.2
1966	2,252	2,225	.99	2,225	579	26.0
1967	2,833	2,939	1.04	2,939	786	26.7
1968	3,393	4,055	1.20	4,054	1,040	25.7
<u>Hong Kong</u>						
1961	911	528	.58	528	136	25.7
1962	1,233	780	.63	780	232	29.7
1963	661	407	.62	407	114	28.0
1964	531	323	.61	323	81	25.0
1965	551	372	.68	372	93	24.9
1966	847	557	.66	557	141	25.2
1967	1,005	746	.74	746	190	25.5
1968	761	681	.89	681	171	25.1
<u>Japan</u>						
1961	1,102	747	.68	747	191	25.6
1962	1,174	845	.72	845	268	31.7
1963	1,074	730	.68	730	201	27.5
1964	962	800	.83	800	204	25.5
1965	979	962	.98	962	249	25.9
1966	994	944	.95	944	247	26.2
1967	1,324	1,436	1.08	1,436	377	26.3
1968	1,420	1,906	1.34	1,906	498	26.1
<u>United States</u>						
1961	78	199	2.56	199	51	25.8
1962	112	192	1.71	192	57	29.7
1963	102	158	1.55	158	43	27.2
1964	50	172	3.43	172	45	26.0
1965	84	248	2.96	248	64	25.9
1966	137	297	2.16	297	77	25.8
1967	75	207	2.75	207	53	25.8
1968	113	350	3.11	350	88	25.2

(a) Prior to 1964 s.c. 3931

Table 18

Imports: Blouses, except knitted n.e.s., s.c. 783-14^(a)

Tariff Items: 54305-1, 55303-1 and 56300-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
				(000)	(000)	
<u>Total</u>						
1961	782	458	.59	458	127	27.8
1962	564	332	.59	332	103	30.9
1963	361	300	.83	300	90	30.2
1964	518	482	.93	482	132	27.4
1965	966	678	.70	678	185	27.3
1966	1,813	1,074	.59	1,074	294	27.4
1967	3,621	1,971	.54	1,971	523	26.5
1968	5,316	2,826	.53	2,824	713	25.2
<u>Hong Kong</u>						
1961	43	22	.52	22	6	28.7
1962	5	14	2.80	14	5	33.2
1963	29	31	1.08	31	9	28.3
1964	301	161	.53	161	44	27.6
1965	573	287	.50	287	79	27.4
1966	930	480	.52	480	132	27.5
1967	1,932	964	.50	964	262	27.2
1968	1,896	903	.48	903	233	25.8
<u>Japan</u>						
1961	680	261	.38	261	72	27.6
1962	515	173	.34	173	50	29.0
1963	278	107	.39	107	34	31.3
1964	126	82	.65	82	22	26.7
1965	287	168	.58	168	45	27.0
1966	752	406	.54	406	110	27.1
1967	1,431	760	.53	760	193	25.4
1968	2,798	1,488	.53	1,488	372	25.0

Table 18
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as %</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	<u>of Dutiable</u>
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>United States</u>						
1961	53	133	2.53	133	37	27.6
1962	33	92	2.76	92	30	32.1
1963	47	117	2.46	117	35	29.8
1964	80	175	2.20	175	48	27.4
1965	83	168	2.02	168	46	27.4
1966	47	102	2.15	102	28	27.4
1967	32	101	3.15	101	28	27.4
1968	51	100	1.94	100	27	26.6

(a) Prior to 1964 class s.c. 3912

Table 19

Imports: Dresses and jumpers, man-made fibres, except knitted
s.c. 783-24(a)

Tariff Item: 56300-1

Year	Total Imports		Unit Value	Dutiable Value	Duty Collected	Duty as % of Dutiable Value
	No.	\$	\$	\$	\$	
	(000)	(000)		(000)	(000)	
<u>Total</u>						
1961	265	1,718	6.49	1,718	467	27.2
1962	206	1,343	6.52	1,343	422	31.4
1963	200	1,418	7.10	1,418	422	29.8
1964	194	1,540	7.95	1,540	414	26.9
1965	248	1,668	6.73	1,668	447	26.8
1966	353	1,705	4.82	1,705	458	26.9
1967	344	2,265	6.58	2,265	601	26.5
1968	473	2,248	4.75	2,248	584	26.0
<u>United Kingdom</u>						
1961	3	65	21.54	65	12	18.2
1962	2	54	27.81	54	14	25.9
1963	4	68	17.62	68	14	20.0
1964	6	84	14.92	84	15	18.0
1965	6	93	15.43	93	17	18.1
1966	7	104	15.05	104	19	18.0
1967	14	218	15.52	218	39	18.1
1968	17	226	13.47	226	40	17.9
<u>Hong Kong</u>						
1961	2	6	3.78	6	2	27.7
1962	9	11	1.28	11	4	31.1
1963	20	26	1.31	26	7	27.6
1964	3	33	12.57	33	9	27.4
1965	11	104	9.66	104	28	27.0
1966	43	185	4.28	185	51	27.4
1967	57	277	4.86	277	76	27.4
1968	51	223	4.35	223	60	27.0
<u>Japan</u>						
1961	12	10	.84	10	3	27.5
1962	21	17	.80	17	5	32.5
1963	13	37	2.80	37	11	29.2
1964	22	29	1.30	29	8	27.2
1965	39	36	.91	36	10	27.2
1966	81	79	.97	79	22	27.4
1967	21	30	1.41	30	8	27.2
1968	92	141	1.53	141	38	26.9

Table 19
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
				(000)	(000)	
<u>United States</u>						
1961	243	1,515	6.24	1,515	417	27.5
1962	170	1,132	6.67	1,132	355	31.4
1963	155	1,126	7.25	1,126	343	30.5
1964	153	1,159	7.58	1,159	317	27.4
1965	178	1,123	6.31	1,123	307	27.4
1966	153	987	6.44	987	271	27.4
1967	183	1,267	6.92	1,267	347	27.4
1968	136	1,113	8.16	1,113	299	26.9

(a) Prior to 1964 s.c. 3915

Table 20

Imports: Dresses and jumpers, except knitted n.e.s. 783-25(a)

Tariff Items: 53305-1, 54305-1 and 55303-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$ (000)	\$ (000)	
<u>Total</u>						
1961	132	1,777	13.43	1,777	499	28.1
1962	111	1,512	13.67	1,512	496	32.8
1963	71	1,219	17.27	1,219	371	30.4
1964	60	1,259	20.94	1,259	347	27.6
1965	57	1,326	23.29	1,326	364	27.5
1966	88	1,193	13.60	1,193	325	27.3
1967	151	1,847	12.24	1,847	500	27.1
1968	130	1,859	14.31	1,859	489	26.3

United Kingdom

1961	6	131	20.65	131	30	23.2
1962	11	157	14.31	157	44	27.9
1963	6	105	16.53	105	26	24.6
1964	8	151	17.86	151	34	22.8
1965	8	161	20.61	161	37	22.8
1966	5	128	23.79	128	29	22.7
1967	10	193	19.27	193	44	22.9
1968	13	219	17.51	219	48	22.1

France

1961	3	169	60.11	169	48	28.5
1962	3	158	54.63	158	53	33.4
1963	3	172	49.84	172	54	31.2
1964	4	207	48.78	207	58	28.0
1965	5	234	50.97	234	65	28.0
1966	5	266	48.58	266	74	27.9
1967	10	454	45.50	454	127	28.0
1968	9	410	45.93	410	111	27.2

Table 20
(Cont'd)

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$	\$	
				(000)	(000)	
<u>Hong Kong</u>						
1961	2	20	9.98	20	6	29.9
1962	6	66	10.68	66	23	34.8
1963	9	108	11.45	108	36	33.1
1964	10	101	9.63	101	29	28.7
1965	7	96	14.74	96	28	29.4
1966	11	159	13.91	159	45	28.6
1967	12	179	15.28	179	51	28.7
1968	18	310	17.66	310	85	27.6
<u>United States</u>						
1961	102	1,219	11.93	1,219	346	28.4
1962	72	891	12.43	891	296	33.2
1963	37	622	16.63	622	191	30.7
1964	25	555	22.25	555	157	28.3
1965	27	569	20.96	569	160	28.1
1966	53	368	6.91	368	101	27.5
1967	43	484	11.30	484	133	27.4
1968	16	374	23.89	374	101	27.0

(a) Prior to 1964 s.c. 3916

Table 21

Imports: Skirts, except knitted, s.c. 783-49^(a)

Tariff Items: 52305-1, 53305-1 and 56300-1

Year	Total Imports		Unit	Dutiable	Duty	Duty as %
	No.	\$	Value	Value	Collected	of Dutiable
	(000)	(000)	\$	\$	\$	Value
				(000)	(000)	
<u>Total</u>						
1961	416	527	1.27	527	138	26.3
1962	382	479	1.25	479	151	31.4
1963	62	203	3.29	203	55	27.1
1964	36	209	5.75	209	51	24.6
1965	58	233	3.99	233	58	25.1
1966	84	295	3.52	295	74	25.1
1967	77	284	3.67	284	70	24.8
1968	96	339	3.54	334	84	25.0
<u>United Kingdom</u>						
1961	12	76	6.29	76	17	22.1
1962	12	79	6.70	79	23	28.4
1963	10	69	6.69	69	16	23.9
1964	12	90	7.37	90	20	22.2
1965	10	86	8.33	86	19	22.4
1966	14	112	7.83	112	25	22.4
1967	14	117	8.56	117	26	22.4
1968	18	123	6.86	123	27	21.8
<u>United States</u>						
1961	58	172	2.99	172	46	26.6
1962	44	136	3.07	136	41	30.1
1963	19	88	4.62	88	25	28.5
1964	14	71	5.09	71	19	26.6
1965	14	64	4.61	64	17	26.9
1966	27	106	3.93	106	28	26.6
1967	20	75	3.74	75	20	26.8
1968	19	79	4.24	79	21	26.4

(a) Prior to 1964 was s.c. 3928; prior to 1961 included in various statistical classes

Table 22

Imports: Pyjamas (Sleepwear), s.c. 781-92^(a)

Tariff Items: 52305-1, 56300-1 and 56805-1

<u>Year</u>	<u>Total Imports</u>		<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as % of Dutiable Value</u>
	<u>No.</u>	<u>\$</u>	<u>Value</u>	<u>Value</u>	<u>Collected</u>	
	(000)	(000)	\$	\$ (000)	\$ (000)	
<u>Total</u>						
1967	4,143	2,864	.69	2,862	724	25.3
1968	4,777	3,320	.69	3,318	832	25.1
<u>Hong Kong</u>						
1967	905	674	.74	674	170	25.2
1968	1,157	898	.78	898	227	25.3
<u>China, Communist</u>						
1967	546	429	.79	429	105	24.5
1968	391	309	.79	309	75	24.2
<u>Japan</u>						
1967	550	341	.62	341	85	24.8
1968	63	46	.73	46	11	24.7
<u>Taiwan</u>						
1967	1,652	926	.56	926	238	25.7
1968	2,430	1,369	.56	1,369	344	25.1
<u>United States</u>						
1967	45	87	1.93	87	25	28.3
1968	50	125	2.51	125	36	29.0

^(a) Prior to 1967 included in s.c. 781-99, "Sleepwear n.e.s."

APPENDIX II

TARIFF HISTORY

TARIFF HISTORYTariff Item 56205-1, formerly 562a (1)

Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty per cent, by weight, of silk:

56205-1 Exceeding twelve inches in width

Woven fabrics containing five per cent or less, by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under items 56205-1 and 56206-1 but shall be dutiable as though composed wholly of the remaining constituents.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
June 4, 1969	22½ p.c.	25 p.c.	45 p.c.
and, per pound		15 cts.	40 cts.
January 1, 1969	22½ p.c.	28 p.c.	45 p.c.
and, per pound		18 cts.	40 cts.
January 1, 1968	22½ p.c.	29 p.c.	45 p.c.
and, per pound		19 cts.	40 cts.
June 21, 1961	22½ p.c.	30 p.c.	45 p.c.
and, per pound		20 cts.	40 cts.

Prior to June 21, 1961, item 562a did not make separate provision for fabrics exceeding twelve inches in width.

562a:

Woven fabrics, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair, not including fabrics more than fifty per cent, by weight, of silk:

Woven fabrics containing five per cent or less, by weight, of man-made fibres or filaments or of glass fibres or filaments shall not be dutiable under this item but shall be dutiable as though composed wholly of the remaining constituents.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
April 1, 1960	22½ p.c.	30 p.c.	45 p.c.
and, per pound		20 cts.	40 cts.

Prior to April 1, 1960, with the exception of certain fabrics used in the manufacture of scarves or mufflers, the goods classified in tariff item 562a were dutiable under Tariff Item 561.

561:

Woven fabrics wholly or in part of synthetic textile fibres or filaments, not containing wool, not including fabrics in chief part by weight of silk, n.o.p.

Woven fabrics containing five per cent or less, by weight, of synthetic textile fibres or filaments are not dutiable under this item, but are dutiable as though such fabrics were composed only of the remaining constituents.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
April 7, 1954	27 $\frac{1}{2}$ p.c.	40 p.c.	45 p.c.
and, per pound		40 cts.	40 cts.
June 6, 1951 GATT		25 p.c.	
and, per pound		30 cts.	
January 1, 1948 GATT	22 $\frac{1}{2}$ p.c.		

The change effective April 7, 1954 involved a minor revision of the wording of the second paragraph of the item; the statutory rates were unchanged from those in effect from February 26, 1937.

The earlier history of this item can be found on page 249 of the volume entitled "Silk and Man-Made Fibres, and Products", of the Tariff Board's report on Reference No. 125 (Textiles).

CAI FN 55

-70 R 45



Report by

THE TARIFF BOARD

Relative to the Investigation Ordered
by the Minister of Finance
respecting

KNITTED OUTER GARMENTS



Reference No. 145

CAI FN-55
-70 R75



Report by
THE TARIFF BOARD

Relative to the Investigation Ordered
by the Minister of Finance
respecting

KNITTED OUTER GARMENTS

Reference No. 145

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M.S. Islam

The Honourable
The Minister of Finance
Ottawa.

Dear Mr. Minister:

I refer to your letter dated July 3, 1969, in which you directed the Tariff Board to make a study of the impact of imports of knitted outer garments normally described as sweaters, cardigans or pullovers, on the Canadian producers of these garments and on producers of other related products which, in the opinion of the Board, are affected by these imports.

In conformity with Section 4(2) of the Tariff Board Act, I have the honour to transmit the Report of the Board entitled "Knitted Outer Garments", in English and in French. A copy of the transcript of the proceedings at the public hearings accompanies the Report.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "J. C. Audette", with a stylized flourish extending to the right.

Chairman

Explanation of Symbols Used

- Denotes zero or none reported
- .. Indicates that figures are not available
- * In statistical tables, indicates a reported figure which disappears on rounding, or is negligible
- (a) A small letter in brackets denotes a footnote to a table
- s.c. Denotes a Dominion Bureau of Statistics import or export statistical class
- (Vol. -, p. -) Denotes volume and page of the transcript of proceedings at the public hearing unless the context clearly indicates another cited reference

The sum of the figures in a table may differ from the total, owing to rounding

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LETTER OF REFERENCE

Ottawa, July 3, 1969.

Mr. L.C. Audette
Chairman
The Tariff Board
Ottawa.

Dear Mr. Audette:

I have received representations to the effect that certain types of knitted outer garments normally described as sweaters, cardigans or pullovers, are being imported into Canada in such increased quantities and under such conditions as to cause or threaten serious injury to Canadian producers. These garments are imported under tariff items 56805-1 and 56810-1.

In considering these representations the Government will wish to have in its possession the most complete information which can be obtained regarding the production, consumption, marketing, imports and exports of these products.

I, therefore, direct the Tariff Board to make a study under Section 4(2) of the Tariff Board Act of the impact of imports of knitted outer garments of these types on the Canadian producers of these garments and on producers of other related products which, in the opinion of the Board, are affected by these imports.

The term "other related products" would, of course, encompass, in addition to goods which form the materials used in the manufacture of knitted outer garments, e.g. fibres and yarns, those types of garments which, while not specifically classifiable as sweaters, cardigans or pullovers, form, in the opinion of the Board, an integral part of the operations of Canadian producers of those products.

I would ask the Board to submit a report on its study as soon as possible.

Yours sincerely,

E.J. BENSON

Companies and Agencies Which Made Representations

A public hearing was held at Ottawa on February 2 and 3, 1970.

Representations were received from the following:

Knitters Association of Canada	Ottawa, Ontario
* Standard Knitting Co. (1967) Ltd.	Winnipeg, Manitoba
Man-Made Textiles Association	Ottawa, Ontario
The Canadian Chemical Producers' Association	Montreal, Quebec
Group of Ten Importers	Ottawa, Ontario
* White Stag of Canada	Edmonton, Alberta
British Hosiery & Knitwear Export Group	Toronto, Ontario
* The Japan Textile Products Exporters' Association	Ottawa, Ontario
International Ladies' Garment Workers' Union	Montreal, Quebec

* Not represented at the hearing

INTRODUCTION

In his letter, the Minister instructed the Tariff Board to make a study of the impact of imports of knitted outer garments, normally described as sweaters, cardigans and pullovers, on the Canadian producers of these garments and on producers of other related products which are affected by these imports. With respect to "other related products", the Minister's letter states "The term 'other related products' would, of course, encompass, in addition to goods which form the materials used in the manufacture of knitted outer garments, e.g. fibres and yarns, those types of garments which, while not specifically classifiable as sweaters, cardigans or pullovers, form, in the opinion of the Board, an integral part of the operations of Canadian producers of these products".

In this report, the word "sweaters" is used to include cardigans, pullovers and similar garments. Also, whenever reference is made to "men's", "women's" or "children's" sweaters, the terms are intended to refer to "men's and boys'", "women's and girls'" and "children's and infants'" sweaters, respectively.

The sweaters which were referred to the Board for study are classified under tariff items 56805-1 and 56810-1.

<u>Item</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>Gen.</u>
56805-1 Knitted garments, knitted fabrics and knitted goods, n.o.p.	20 p.c.	27½ p.c.	55 p.c.
56810-1 Knitted garments, women's and girls', wholly or in chief part by weight of wool or hair, valued at not less than \$9.00 per pound	20 p.c.	27½ p.c.	55 p.c.

Of course, the scope of both items extends beyond the sweaters which are the main subject of this Report. During the course of the public hearing on Reference 145 most representations were concerned with imports of sweaters of man-made fibre yarns, which are classified under tariff item 56805-1.

The fibres and yarns used in the manufacture of sweaters and similar knitted goods are classified in several tariff items; some of the more relevant of these are presented below in summary form.

<u>Tariff Item and Brief Description</u>	<u>B.P.</u>	<u>M.F.N.</u>
<u>Fibres</u>		
53005-1 Wool and wool noils, not further prepared than scoured or carbonized	Free	Free
53005-2 Australian Trade Agreement Wool, not further prepared than scoured	Free	
Union of South Africa Trade Agreement	B.P.	
New Zealand Trade Agreement	Free	

		<u>B.P.</u>	<u>M.F.N.</u>
53010-1	Slivers, wholly or in part of wool, not containing man-made fibres ... per pound	Free	5 cts.
56005-1	Man-made fibres	5 p.c.	10 p.c.
<u>Yarns</u>			
53110-1	Wool yarns	7½ p.c.	10 p.c.
	and, per pound	7 cts.	10 cts.
56105-1	Yarns of man-made fibres or filaments, not coloured	20 p.c.	10 p.c.
	and, per pound		10 cts.
56110-1	Yarns of man-made fibres or filaments, coloured	22½ p.c.	10 p.c.
	and, per pound		10 cts.

Representations were made to the Board by Canadian knitters of sweaters and by Canadian producers of the relevant fibres and yarns claiming that the rapid increase of imports of sweaters, since 1965, had resulted in considerable injury to Canadian knitters of sweaters and had, therefore, also affected sales of Canadian-produced yarns to these knitters. The spokesmen for these Canadian manufacturers said there was a serious danger of the Canadian market for sweaters being largely, or even entirely, lost to foreign producers. The manufacturers of fibres and yarns said the decline in production of Canadian-made sweaters had resulted in a serious reduction in their sales for that purpose.

These claims were denied by several Canadian importers of sweaters who said that Canadian sweaters were protected by some of the highest rates of duty in the Customs Tariff and that increased imports reflected changes in Canadian consumers' preferences. They claimed that Canadian manufacturers had not suffered any injury from imports whereas Canadian consumers had benefited from the availability of lower cost goods.

The brief of the Japan Textile Products Exporters' Association also drew attention to the high rates of duty which apply to sweaters and claimed that any decrease in shipments by Canadian knitters was attributable to the rationalization of the knitting industry, as a whole. The brief noted that the Japanese share of Canada's imports of sweaters was small and that, in effect, Japan was competing with other foreign suppliers rather than with Canadian producers. The Association also noted that Japanese knitted wear exports to Canada, including man-made fibre sweaters, had been subject, since 1960, to certain limits agreed to by the Governments of Canada and Japan.

The British Hosiery & Knitwear Export Group submitted that a large part of British exports of sweaters to Canada were not competitive with Canadian-made sweaters. They said British exports were mainly of relatively high-priced, specialty, woollen sweaters and that a substantial proportion of these were re-sold to U.S. tourists. Their brief noted that the largest increase in imports was of man-made fibre

sweaters originating in Asia and that imports from Britain had actually declined slightly since 1965.

The Products

The knitting machines used by Canadian manufacturers of sweaters can produce a wide range of products, including pullovers, cardigans, dresses and similar garments as well as knitted fabrics. The garments may be made by first producing a knitted fabric which is then cut to a pattern and sewn together as is done with garments made from woven fabrics. In contrast, the principal parts of the garment, for example, body and sleeves, may be knitted as separate, shaped units, and then joined together on specially designed machines by a process known as looping. The former garments are said to be "cut-and-sewn" and the latter, "full-fashioned".

Apart from other differences, it was estimated that sweaters made by the cut-and-sew method involved an average waste of 25 per cent of the yarn used, whereas in the full-fashioned method of construction the wastage factor was only five per cent. (Vol. 1, p. 72) Canadian sweater knitters estimated that only 10 to 15 per cent of the Canadian-made sweaters were of full-fashioned construction. (Vol. 1, p. 68, 165)

Canadian knitters use a large variety of yarns of natural and man-made fibres and blends of various sorts. More than one-half of the sweaters made in Canada, are of acrylic yarns, 22 per cent are of stretch and textured filament yarns and 17 per cent of woollen yarns. Essentially the same processes of manufacture are involved regardless of the kind of yarn used.

The Statistics

The principal products of sweater knitters are pullovers and cardigans. However, although certain knitted garments are clearly pullover or cardigan sweaters, others are more difficult to classify. For example, names such as T-shirts, jerseys, shells and blouses are often used to describe garments which are sweaters. Although there appears to be loose usage in describing some of the domestically-produced garments which might be defined as sweaters, this was not considered to be a serious matter for purposes of this Reference by the spokesmen for the Canadian sweater knitters. (Vol. 1, p. 6)

However, the classification of sweaters in the import data was questioned by the spokesmen for a group of importers. They claimed that imports from the People's Republic of China, for 1969, were greatly overstated and that reported imports of sweaters from Japan were actually largely of cut-and-sewn T-Shirts which Japanese exporters often describe as pullovers and which are, therefore, classified by the DBS as sweaters. (Vol. 1, p. 151, 155) On the other hand, the spokesman for the Canadian sweater knitters informed the Board that the knitters had included imports of blouses as sweaters because, otherwise, imports of many knitted shells and tops, which the industry regards as sweaters, would have been omitted from their tabulations. (Vol. 1, p. 84)

The Board is aware of many of the problems of classification of imports of knitted goods in the import statistics. At times sweaters are improperly classified as T-shirts or other garments and at other times garments are classified as sweaters which would be more correctly described otherwise. However, the information available to the Board indicates that, although the import data are not precise, they are sufficiently accurate to establish the general orders of magnitude relevant to this Report.

In the market tables which are presented in the following, imported and domestic sweaters are combined. When the data are presented in value terms, a problem arises because, in the published statistics, Canadian sweaters are valued at their wholesale selling price f.o.b. the factory, whereas imports are valued at their value for duty, that is, their fair market value in the country of origin. On the basis of what the Board was told at the public hearing and its own inquiries, it would seem that the value of imports, as reported in the published statistics, should be increased by as much as 70 per cent in order to arrive at a value comparable to the wholesale value of domestic shipments; the markup from the duty-paid value to this calculated wholesale value is 32 per cent. In the following, then, the value of imports is given in terms of the estimated wholesale value, calculated by adding 32 per cent to the actual, duty-paid value, unless specified otherwise; a detailed calculation showing how these percentages were obtained is given in Appendix II.

In the section in this report pertaining to the retail market, the retail value was estimated by adding a 75 per cent markup to the wholesale value. The Board was informed that the usual markup was about 100 per cent on the wholesale value, however this markup would generally apply at the beginning of a season, when style, color and size ranges were fairly complete; the lower figure of 75 per cent, used here, takes some account of sales and clearances.

THE CANADIAN MARKET FOR SWEATERS

The Size of the Market

From the following table it appears that Canadian consumption of sweaters increased substantially during the 1950's and even more during the 1960's. In the early 1950's Canadians purchased about one million dozen sweaters annually; by 1961 consumption was 1.5 million dozen. In the eight years, 1961-69, the market expanded more rapidly and sales increased to about 2.8 million dozen in 1968 and 1969. Thus, in terms of volume, the market for sweaters increased by approximately 50 per cent between 1951 and 1961 and by more than 75 per cent between 1961 and 1969.

Table 1: The Canadian Market for Sweaters, Selected Years
1951-69

	<u>Shipments</u>	<u>Imports</u> (a) - thousand dozen -	<u>Exports</u> -	<u>Apparent Market</u>	<u>% Ships. of Mkt. per cent</u>
1951	957	82(b)	..	1,039	92.1
1956	1,188	102(b)	..	1,290	92.1
1961	1,419	125	5	1,540	92.2
1964	1,584	186	5	1,764	89.8
1967	1,702	641	15	2,329	73.1
1968	1,816	1,034	11	2,839	64.0
1969	1,568(c)	1,205	20	2,753	57.0
		- million dollars -			
1951	24.7	4.0(b)	..	31.7	77.9
1956	34.3	5.5(b)	..	39.8	86.1
1961	52.8	8.6	0.3	61.1	86.4
1964	62.8	15.3	0.5	77.7	80.9
1967	77.2	27.6	0.7	104.1	74.1
1968	84.0	41.6	0.7	124.9	67.3
1969	75.3(c)	43.5	1.2	117.7	64.0

(a) Value shown is duty-paid value plus 32 per cent; see appendix 2 for details

(b) Estimated

(c) T.B. survey

Source: Derived from DBS Cat. No. 34-215, 65-004, 65-007, 65-202

In recent years, however, the percentage of the total sweater market supplied by Canadian knitters has been declining. Until about 1965, Canadian knitters supplied 90 per cent or more of all the sweaters sold in Canada; since then, their share of the market has been decreasing steadily and last year, based on a Tariff Board survey, their share was only about 57 per cent.

In value terms, Canadian sweaters account for a larger proportion of the total market; on the average they have a much higher unit value than imported sweaters, particularly those from Asian and state-trading countries.

The Market by Fibre

During the early 1950's, wool was the principal yarn used in the sweaters sold in Canada, but its relative importance declined rapidly during the decade, from more than 70 per cent of total sales in 1951 to about 50 per cent of the total in 1956 and 25 per cent by 1961. Its relative importance rose, briefly, between 1962 and 1964, and then declined again. By the end of the 1960's less than 20 per cent of the sweaters purchased in Canada were made of wool.

Acrylic fibres have become, by far, the most popular for sweater yarns. Imports of acrylic sweaters are not reported separately, but it is generally accepted that they constitute a large proportion of the imports, particularly from Asian countries. Acrylic sweaters account for more than one-half of Canadian sweater production, thus, taking imported and domestic acrylic sweaters together, it seems likely that about one-half of all the sweaters sold in Canada, at the present time, are made of acrylic fibre yarns.

Most of the market data used in this section combine all other-than-wool sweaters in one group because it is difficult to reconcile the import statistics with Canadian shipments. As noted above, about one-half of the total consumption is of acrylic sweaters; of the other-than-wool sweaters only, acrylics are probably nearly two-thirds of the total.

Table 2: The Canadian Market for Sweaters, According to
Principal Fibre, Selected Years, 1961-69

	<u>Wool</u> (a)	<u>Other-than- wool</u> (a)	<u>Total</u> (b)	<u>% Other-than- wool of total</u>
	-	thousand dozen	-	per cent
1961	369	1,176	1,540	76.1
1963	525	1,080	1,600	67.3
1965	521	1,624	2,139	75.7
1967	462	1,881	2,329	80.3
1968	583	2,267	2,839	79.5
1969	494	2,279	2,753	82.2
		- million dollars ^(c) -		
1961	21.3	40.1	61.1	65.3
1963	34.0	36.7	70.3	51.9
1965	38.9	55.1	93.5	58.6
1967	35.2	69.6	104.1	66.4
1968	44.1	81.5	124.9	64.9
1969	39.6	79.3	117.7	66.7

(a) Excludes exports

(b) Includes exports

(c) Imports are included at their duty-paid value plus 32 per cent -

Source: Based on DBS Cat. No. 34-215, 65-004, 65-007, 65-202

It should be noted that the above table includes, in the category of "other-than-wool", sweaters made of acrylic yarns as well as those made of textured acetate and nylon yarns, mixtures of man-made and natural fibre yarns and other man-made fibre yarns. Sweaters containing man-made yarns now account for more than two-thirds of the Canadian market.

The Market for Men's, Women's and Children's Sweaters

To a manufacturer of sweaters it is, generally, of little significance whether he is using woollen or man-made fibre yarns. The displacement of woollen yarns by those of man-made fibres is important because of the effect on the prices of yarns and sweaters and on the general competitive relationships in the market. However, some manufacturers tend to specialize in men's, women's or children's sweaters and the size of each of these markets is important in assessing the total market.

Table 3: All Fibres: Market for Men's, Women's and Children's Sweaters, 1968

	<u>Men's</u>	<u>Women's</u> - thousand	<u>Children's</u> dozen -	<u>Total</u>
Shipments	518	915	383	1,816
Imports	326	599	110	1,034
Exports	<u>..</u>	<u>..</u>	<u>..</u>	<u>11</u>
Est. market	844	1,514	493	2,839
% ships. of mkt.	61.4	60.4	77.7	64.0
		- thousand dollars -		
Shipments	32,591	42,804	8,619	84,014
Imports(a)	14,441	25,063	2,107	41,610
Exports	<u>..</u>	<u>..</u>	<u>..</u>	<u>699</u>
Est. market	47,032	67,867	10,726	124,925
% ships. of mkt.	69.3	63.1	80.4	67.3
		- dollars per dozen -		
Average mkt. value	55.73	44.83	21.76	44.00

(a) Duty-paid value plus 32 per cent

Source: Derived from DBS Cat. No. 34-215, 65-004, 65-007, 65-202, 65-203

As the table indicates, more than one-half of the total volume of sales were women's sweaters, 30 per cent were men's and 17 per cent, children's. The value of sales of women's sweaters was more than one-half of the total, about the same proportion as of the volume of these sales; men's sweaters accounted for 38 per cent and children's sweaters for only nine per cent, of the total value of sales.

In 1968, Canadian sweater manufacturers supplied about 60 per cent of the volume of men's and women's sweaters, and nearly 80 per cent of the children's sweaters. In terms of value, they accounted

for about 69 per cent of the men's sweaters, 63 per cent of the women's sweaters and 80 per cent of the children's sweaters.

Whether measured in terms of volume or value, it is apparent that, in 1968, a very large part of the Canadian market for children's sweaters was supplied by Canadian producers. However, around 40 per cent of the volume and value of sales of women's sweaters was supplied by foreign producers -- and women's sweaters represent more than one-half of the total market.

It is important to note that, in 1968, Canadian sweaters supplied 64 per cent of the volume of all sweaters sold in Canada compared with only 57 per cent of the total in 1969. Unfortunately, the 1969 estimate of shipments cannot be broken down according to men's, women's and children's sweaters. However, the effect of this rather substantial decline would be to reduce significantly the share of the market volume supplied by Canadian producers, particularly for men's and women's sweaters. The share of the market value accounted for by domestic production declined by a much smaller percentage, from 67 per cent in 1968 to 64 per cent in 1969.

Woollen Sweaters: Men's, Women's and Children's

Between 1962 and 1966, about 60 per cent of all the woollen sweaters sold in Canada were women's, 37 per cent were men's, and three per cent were children's; these figures are approximate and proportions varied from year to year. Sales of women's sweaters dropped by one-third in 1967, while sales of men's sweaters declined by only five per cent. In 1968, sales of both kinds increased substantially, but the increase in sales of men's sweaters was larger than that of women's. Some of the relevant statistics are given in the following table.

Table 4: Woollen Sweaters: Canadian Market for Men's, Women's and Children's Sweaters, 1962-69

	<u>Men's</u>	<u>Women's</u>	<u>Children's</u>	<u>Total</u>
		- thousand dozen -		
1962	146.9	234.4	17.6	398.9
1966	225.6	345.0	14.9	585.5
1967	214.0	233.7	14.6	462.3
1968	276.6	289.5	17.1	583.2
1969	..	..	..	493.5
		- thousand dollars (a) -		
1962	9,551	15,008	547	25,105
1966	18,296	24,334	459	43,089
1967	18,027	16,749	425	35,201
1968	23,724	19,950	433	44,106
1969	..	..	..	39,612

(a) Imports are included at their duty-paid value plus 32 per cent

Source: Derived from DBS Cat. No. 34-215, 65-004, 65-007, 65-202

Woollen sweaters have always been the most expensive in the Canadian market and the difference between the average value of woollen sweaters and the average value of sweaters of other-than-wool has increased substantially since the beginning of the decade. In 1961 the average value of woollen sweaters was \$57.82 a dozen compared with \$34.07 a dozen for sweaters of other-than-wool; by 1969 woollen sweaters averaged \$80.27 and other-than-wool sweaters \$34.78 per dozen. Thus, the average value of woollen sweaters sold in Canada rose by \$22.45 per dozen or 39 per cent while the average value of other-than-wool sweaters remained virtually unchanged, and the margin between them increased from \$23.75 to \$45.49. Because the other-than-wool sweaters supplied a larger proportion of Canadian consumption in 1969 than in 1961, the unit value of all sweaters sold in Canada rose by only \$3.08, 1961-69; in 1961 the average value of all sweaters was \$39.69 a dozen and in 1969, \$42.77 a dozen.

Imported woollen sweaters accounted for 46 per cent of the number of woollen sweaters sold in Canada in 1968, but their importance relative to the total market has been different for men's, women's and children's sweaters. In 1962, imports were 17 per cent, 26 per cent and 29 per cent, of the respective total Canadian sales of men's, women's and children's sweaters; by 1968, imports were 37 per cent, 56 per cent and 24 per cent, respectively, of the total sales of these kinds. Thus, apart from the woollen children's sweaters, which are of minor significance relative to all woollen sweaters, the extent to which imports are supplying the Canadian demand for men's and women's sweaters, and particularly of the latter, has expanded very substantially.

Other-than-wool Sweaters: Men's, Women's and Children's

Unfortunately, imports of men's, women's and children's sweaters of other-than-wool yarns, are available only for 1969. However, the proportions that they were of total imports of other-than-wool sweaters in 1969, were applied to the 1968 import data and, in conjunction with the 1968 shipment figures, were used to establish the approximate size of the Canadian market for each kind.

Table 5: Other-than-wool: Estimated Market for Men's Women's and Children's Sweaters, 1968

	Men's	Women's	Children's	Total
		- thousand dozen -		
Shipments	343	787	370	1,500
Imports	223	437	106	767
Exports	<u>566</u>	<u>1,224</u>	<u>476</u>	<u>2,267</u>
Est. market	566	1,224	476	2,267
% ships. of mkt.	60.6	64.3	77.7	66.2
		- thousand dollars -		
Shipments	16,960	34,184	8,331	59,475
Imports ^(a)	6,348	13,733	1,962	22,043
Exports	<u>23,308</u>	<u>47,917</u>	<u>10,293</u>	<u>81,518</u>
Est. market	23,308	47,917	10,293	81,518
% ships. of mkt.	72.8	71.3	80.9	73.0

(a) Duty-paid value plus 32 per cent

Source: Derived from DBS Cat. No. 34-215, 65-007

It is evident that, unless the distribution of 1968 imports was completely different from that of 1969, the Canadian market for women's other-than-wool sweaters is larger than that for men's and children's sweaters combined. The importance of women's sweaters both to domestic producers and foreign suppliers is also evident; more than one-half of the volume and value of Canadian shipments and of imports is accounted for by women's sweaters.

As would be expected, the children's sweaters have a much lower unit value than either the men's or women's and are, therefore, a much smaller part of the total value of sales of all sweaters (13 per cent) than they are of the volume sold (21 per cent).

The Average Value of Sweaters Sold in Canada

The average value of all sweaters purchased in Canada increased steadily until 1964, declined slightly between 1964 and 1966, rose slightly in 1967 and then declined more sharply, from \$44.71 a dozen, in 1967 to \$42.77 a dozen in 1969. After the mid-sixties these changes reflected the increasing sales of lower-priced, man-made fibre sweaters whose initial effect was to modify increases in prices, particularly those of woollen sweaters. In the last few years of the decade, they reflected the increasing volume of imports of lower-priced sweaters from Asian and eastern European suppliers.

Table 6: Comparisons of Unit Values of Domestic and Imported^(a)
Sweaters Sold in Canada, by Fibre, 1961-69

	<u>Wool</u>		<u>Other-than-wool</u>		<u>All Fibres</u>		<u>Total Market</u>
	<u>Dom.</u>	<u>Imp.</u>	<u>Dom.</u>	<u>Imp.</u>	<u>Dom.</u>	<u>Imp.</u>	
	- dollars per dozen -						
1961	49.56	84.75	34.16	31.44	37.52	68.26	39.69
1962	53.51	94.41	33.82	44.03	38.18	83.70	41.59
1963	54.01	94.21	33.95	36.21	39.30	85.22	43.95
1964	57.48	91.23	34.09	43.60	39.67	82.23	44.01
1965	68.92	85.52	33.55	39.98	40.03	69.24	43.72
1966	73.76	73.34	35.93	26.12	43.07	46.46	43.77
1967	72.76	81.36	39.94	27.95	45.36	43.10	44.71
1968	77.66	73.23	39.65	28.74	46.26	40.23	44.00
1969	84.23	76.12	41.12	26.11	48.05	36.14	42.77

(a) Imports valued at duty-paid value plus 32 per cent

Source: Derived from DBS Cat. No. 34-215, 65-004, 65-007

The average values of imported sweaters declined from about 1964, but those of Canadian-made sweaters continued to increase. Thus, although the average value of imported sweaters was higher than that of Canadian-made sweaters, until the mid-sixties, it was much lower than the unit value of domestic sweaters, by 1969. In 1964, imported sweaters averaged \$82.23 per dozen, \$42.56 or more than double the unit value of Canadian production; in 1969, the average wholesale value of imports was \$36.14 or about 25 per cent lower than the unit value of domestic shipments.

Although the magnitude of the changes in the relative unit values of domestic and imported sweaters are more striking in connection with woollen sweaters, such sweaters accounted for only 18 per cent of the estimated total volume of sales in 1969. In 1964, the estimated wholesale value of imported sweaters of synthetic yarns, the classification most directly related to acrylic sweaters, was 42 per cent higher than the average value of Canadian-made acrylic sweaters; in 1969, their average wholesale value was 41 per cent lower than that of domestic acrylic sweaters.

In 1968, sweaters of acrylic and textured filament yarns accounted for 75 per cent of Canadian shipments of all sweaters and for 65 per cent of the imports; in 1969, they accounted for almost three-quarters of the total volume of imports. Obviously, it is this class of sweater which is of most concern to Canadian producers.

Table 7: Unit Values of Canadian and Imported Sweaters
of Man-made Yarns, 1961-69

	<u>Acrylic</u>	<u>Canadian-made</u>		<u>Imported Synthetic(b)</u>
		<u>Textured(a)</u> \$ per dozen	<u>Av. Both</u>	
1961	34.02	34.61	34.23	59.64
1962	34.02	32.91	33.63	64.83
1963	36.37	31.80	34.79	44.65
1964	36.66	31.61	35.25	52.06
1965	34.42	31.96	33.79	42.98
1966	36.27	33.68	35.64	27.96
1967	42.13	34.09	39.73	30.73
1968	41.90	36.34	40.74	30.08
1969	44.87	..	..	26.70

(a) Includes stretch yarns; excludes children's sweaters in 1968

(b) Imports valued at duty-paid value plus 32 per cent; s.c. 784-75, 784-76, 784-77

Source: Derived from DBS Cat. No. 34-215, 65-004

From the table, it can be seen that the average value of Canadian-made acrylic sweaters increased by 22 per cent, between 1965 and 1968; in the same period, average values of sweaters of textured filament yarns increased by fourteen per cent; they rose by \$1.72 in 1966 and by \$2.25 a dozen in 1968. Imports from Asian and eastern European countries rose from 71 per cent to more than 90 per cent of total imports of these types of sweaters, but their average wholesale value decreased from about \$44 to \$29, per dozen, or by nearly 35 per cent.

Although the average value of Canadian shipments of sweaters of man-made fibres increased by 21 per cent between 1965 and 1968, Canadian output of these declined by seven per cent between 1965 and 1966 and remained almost unchanged thereafter. During this period the average values of imported sweaters were much below those of Canadian sweaters and imports captured more than one-third of the market.

Table 8: Unit Values of Canadian-made and Imported Woollen Sweaters, 1961-69

	Canadian-made			Imported ^(a)
	Men's	Women's \$ per dozen	Total	
1961	53.55	50.12	49.56	84.75
1962	57.69	52.62	53.51	94.41
1963	57.57	52.43	54.01	94.21
1964	65.01	54.79	57.48	91.23
1965	75.94	63.90	68.92	85.52
1966	79.77	70.74	73.76	73.34
1967	82.25	64.24	72.76	81.36
1968	89.32	67.34	77.66	73.23
1969	..	..	84.23	76.12

(a) Imports valued at duty-paid value plus 32 per cent

Source: Derived from DBS Cat. No. 34-215, 65-004

Until the mid-1960's, Britain and Italy, together, were the principal foreign suppliers of woollen sweaters to the Canadian market; they accounted for 78 per cent of the imports in 1964 and for 67 per cent in 1965. Between 1961 and 1965, Canadian-made sweaters accounted for 66 to 77 per cent of total sales of woollen sweaters in Canada. Imports of woollen sweaters increased sharply after 1965, when Hong Kong began to export large numbers to the Canadian market; between 1965 and 1969 the share of the market for woollen sweaters accounted for by the Canadian-made product fell from two-thirds to approximately one-half.

Between 1961 and 1965 average values of Canadian-made woollen sweaters increased by 39 per cent. Thus, even before 1965, when imports began to enter the Canadian market in substantial quantities, Canadian manufacturers appear to have been moving out of the lower-priced, staple, woollen sweater lines. This movement by Canadian producers out of lower-priced lines may also reflect the substitution of other-than-wool for woollen sweaters in the lower price ranges.

The average values reflect not only changes in price for those sweaters whose design and construction remain essentially unchanged but they also reflect changes in the product-mix, such as changes in yarns, constructions and styles.

No published data are available regarding changes in price of sweaters sold in the Canadian market. However, information available to the Board suggests that wholesale prices of the sweaters produced in Canada whose design and construction remained unchanged between 1961 and 1969 increased by no more than ten per cent. In contrast the average value of Canadian shipments increased by 28 per cent in this period, reflecting a considerable change in the product-mix of Canadian production. According to statements made at the public hearing, these changes entailed the production of a much larger number of styles and color combinations, in the so-called high-style,

fashion trend. Because such goods usually have only a limited demand, the changes also involved considerably shorter runs than had previously been customary in the industry, when a few, relatively staple lines of product, accounted for a large part of the output. Although the changes involved higher costs, they also resulted in higher unit values, as the preceding indicates.

The declining unit values of imported sweaters, during a period which was generally characterized by rising prices in most countries, indicates that the product-mix of imported sweaters also changed during these years. Although Canada continued to import substantial quantities of relatively high-priced sweaters from western Europe, an increasing proportion of the imports were of low-priced goods originating in Asian and eastern European countries.

The Retail Market for Sweaters

At wholesale, and exclusive of sales tax, sales of all sweaters in Canada were estimated to have a value of about \$120 million, in 1969; at retail, the value of these approximately 2.8 million dozen sweaters would be about \$200 million. Some relevant statistics relating to the market, at retail, are presented in the table which follows.

Table 9: The Estimated Canadian Market for Sweaters,
at Retail, 1961, 1965 and 1969

<u>Market Volume</u>	<u>1961</u>	<u>1965</u>	<u>1969</u>	<u>% Change</u>	
				<u>1961-65</u>	<u>1965-69</u>
	-	thousand dozen	-	-	per cent -
Wool	369	521	494	+41.2	-5.2
All other	<u>1,176</u>	<u>1,624</u>	<u>2,279</u>	<u>+38.1</u>	<u>+40.3</u>
Total	1,540	2,139	2,753	+38.9	+28.7
<u>Market Value</u>	-	<u>(a)</u>		<u>% Change</u>	
		thousand dollars	-	-	per cent -
Wool	37,286	68,014	69,320	+82.4	+1.9
All other	<u>70,133</u>	<u>96,469</u>	<u>138,725</u>	<u>+37.6</u>	<u>+43.8</u>
Total	106,959	163,626	206,012	+53.0	+25.9
<u>Sales per person</u>	-	<u>sweaters per person</u>		<u>% Change</u>	
		-	-	-	per cent -
Wool	.24	.32	.28	+33.3	-12.5
All other	<u>.77</u>	<u>.99</u>	<u>1.30</u>	<u>+28.6</u>	<u>+31.3</u>
Total	1.01	1.31	1.57	+29.7	+19.8
<u>Sales per person</u>	-	<u>\$ per person</u>		<u>% Change</u>	
		-	-	-	per cent -
Wool	2.04	3.46	3.29	+69.6	-4.9
All other	<u>3.85</u>	<u>4.91</u>	<u>6.59</u>	<u>+27.5</u>	<u>+34.2</u>
Total	5.86	8.33	9.78	+42.2	+17.4

(a) Estimated wholesale value plus 75 per cent markup

Source: Based on various DBS publications and T.B. survey

In 1965, total sales of other-than-wool sweaters were more than three times as large as those of woollen sweaters; in 1969, only four years later, sales of other-than-wool sweaters were nearly five times those of woollen sweaters. Sales per person show a similar change in this period, in terms of quantity.

In terms of value, the picture is very different. The lower cost of other-than-wool sweaters made it possible for Canadian consumers to purchase more sweaters, both in total and per person, without a corresponding increase in their expenditures on sweaters. Thus, in 1961, when domestic production supplied more than 90 per cent of the market demand, sales per person of other-than-wool sweaters were 3.2 times as large as those of woollen sweaters, but estimated expenditures per person were less than twice as large. In 1969, when large quantities of relatively low-priced imports were available to Canadian consumers the relationship is even more striking. Although sales of other-than-wool sweaters per person, in 1969, were nearly five times as large as those of woollen sweaters, estimated consumers' expenditures on other-than-wool sweaters were only twice as large.

Imported sweaters tend to be of two general types: the relatively high-priced, specialty sweaters imported mainly from Britain and Italy and the lower-priced, so-called staple designs, originating mainly in Asian countries. A comparison of the average estimated retail unit value per sweater is given in the following table.

Table 10: Estimated Average Unit Value, at Retail,^(a) of
Canadian and Imported Sweaters, 1969

	<u>Wool</u>	Other-than- <u>wool</u> - \$ per sweater -	<u>All Sweaters</u>
Canadian-made	12.28	6.00	7.01
Imports:			
Asia & E. Europe	9.31	3.63	4.39
Other Countries	13.65	7.38	11.71
All sales	11.71	5.07	6.24

(a) Estimated wholesale value plus 75 per cent markup

Source: Based on various DBS publications and T.B. survey

THE CANADIAN KNITTING INDUSTRY

The companies which comprise the knitting industry in Canada tend to specialize in certain lines of production such as sweaters, hosiery, underwear, knitted suits and dresses, and knitted fabrics for sale. In the published statistics, the principal products of the hosiery industry are segregated from the others, but the other industry sub-groups are all combined under the heading "Other Knitting Mills". In the following, when reference is made to the "knitting industry", all of the plants classified as "Other Knitting Mills" by the DBS are included, both sweater knitters and others.

At the public hearing, the Tariff Board was informed that there were about 85 companies in Canada which could be regarded as sweater knitters; of these, 15 were said to be small, custom or handi-craft knitters and 70 could be regarded as commercial operators. (Vol. 1, p. 10) In a special tabulation of DBS records, the Tariff Board obtained considerable information with respect to about 55 establishments. In the following, the term "sweater industry" refers to those 55 sweater knitters included in the Board's special tabulation.

The knitting industry is concentrated in Quebec and Ontario. In 1967, 201 of the 220 plants were located in these two provinces; they accounted for \$216 million out of a total value of shipments of \$237 million for all of Canada. Of the remaining \$21 million, two-thirds or \$14 million, was from plants in Nova Scotia and most of the remaining \$7 million was from plants in the Prairie Provinces and British Columbia. There were 124 plants in Quebec compared with 77 in Ontario; the value of shipments from Quebec plants was \$140 million compared with \$76 million from Ontario plants. Knitting plants are generally located in the major cities with large concentrations in Montreal and Toronto.

The sweater industry is also concentrated in Quebec and Ontario. However, the plants are more evenly distributed between the two provinces and, in 1968, production in Quebec was only about one-third larger than in Ontario.

Canadian Shipments of Sweaters

Sales of sweaters by the Canadian knitting industry expanded, almost without interruption, from the early 1950's to the mid-1960's. Between 1965 and 1968 the volume of sales declined slightly, but the value of sales increased, though somewhat irregularly; in 1969 they declined significantly. More than 80 per cent of the total was made of yarns containing man-made fibres; woollen sweaters accounted for only 18 per cent of the total quantity sold. More than one-half of the total Canadian volume of output and nearly one-half the value, was of acrylic sweaters.

Table 11: Shipments of Sweaters by the Canadian Knitting Industry, by Fibre, 1951-69

	<u>Wool</u>	<u>Acrylic</u>	<u>Textured Filament</u> (a) - thousand dozen -	<u>Other</u>	<u>Total</u>
1951	684	130(b)	62	..	957
1956	630	327	57	174	1,188
1961	282	687	378	73	1,419
1965	342	1,071	375	79	1,867
1966	348	1,011	327	159	1,846
1967	280	933	398	92	1,702
1968	316	962	254(d)	129(d)	1,816
1969(c)	252	823	493(e)		1,568
- million dollars -					
1951	20.6	4.8	1.7	..	24.7
1956	18.3	9.9	1.6	4.5	34.3
1961	14.0	23.4	13.1	2.4	52.8
1965	23.6	36.9	12.0	2.3	74.7
1966	25.7	36.7	11.0	6.1	79.5
1967	20.4	39.3	13.6	3.9	77.2
1968	24.5	40.3	9.2(d)	6.5(d)	84.0
1969(c)	21.2	36.9	17.2(e)		75.3

(a) Includes stretch yarns

(b) Actually 1955, the first year for which data are available

(c) T.B. survey

(d) Excludes children's sweaters

(e) Includes textured filament, stretch and 'other', yarn sweaters

Source: DBS Cat. No. 34-215

The displacement of woollen sweaters by those of other-than-wool is apparent from the above table. From 1951 to 1961 Canadian shipments of woollen sweaters fell by about 60 per cent; in the same period, Canadian shipments of other-than-wool sweaters increased almost five times.

Whether measured in terms of quantity or value, women's sweaters have been the most important to the Canadian knitting industry but, since 1961, their relative importance has declined. Between 1961 and 1968, the value of shipments of women's sweaters increased by \$9.7 million; in the same period sales of men's sweaters rose by \$16.0 million, or more than 95 per cent. However, although their relative importance has declined, in 1968, women's sweaters accounted for one-half of the volume and value of Canadian production of sweaters.

Table 12: Shipments of Sweaters, by Kind and Fibre, 1961 and 1968

	Men's		Women's		Total (a)	
	1961	1968	1961	1968	1961	1968
			- thousand dozen -			
Wool	130.5	175.0	131.8	128.0	282.0	316.0
Acrylic	150.7	225.0	391.7	522.0	686.6	962.0
Text. fil. (b)	33.1	84.0	334.8	170.0	378.3)	538.0
Other	<u>42.3</u>	<u>34.0</u>	<u>22.1</u>	<u>95.0</u>	<u>72.7)</u>	
Total	356.6	518.0	880.3	915.0	1,419.5	1,816.0
			- million dollars -			
Wool	7.0	15.6	6.6	8.6	14.0	24.5
Acrylic	6.8	12.1	14.0	23.3	23.4	40.3
Text. fil. (b)	1.5	3.0	11.4	6.2	13.1)	19.2
Other	<u>1.3</u>	<u>1.9</u>	<u>1.0</u>	<u>4.6</u>	<u>2.4)</u>	
Total	16.6	32.6	33.1	42.8	52.8	84.0
			- per cent of value of shipments -			
Wool	42.2	47.9	19.9	20.1	26.5	29.2
Acrylic	41.0	37.1	42.3	54.4	44.3	48.0
Text. fil. (b)	9.0	9.2	34.4	14.5	24.8)	22.9
Other	<u>7.8</u>	<u>5.8</u>	<u>3.0</u>	<u>10.8</u>	<u>4.5)</u>	
Total	100.0	100.0	100.0	100.0	100.0	100.0

(a) Includes children's

(b) Includes stretch yarns

Source: Derived from DBS Cat. No. 34-215

In 1961, yarns of man-made fibres were already much more important than wool in the manufacture of sweaters, and sweaters of acrylic fibre yarns accounted for nearly 50 per cent of the total output. By 1968, the use of acrylic yarns had increased substantially and more men's, women's and children's sweaters were made of acrylic yarns than any other.

Woollen sweaters are generally more expensive than those of other-than-wool and men's sweaters are more expensive than women's or children's; this is evident from the following table. The table also indicates that the average values of Canadian-made men's, women's and children's sweaters have increased between 1961 and 1968, regardless of kind of yarn, with the exception of men's sweaters of textured filament yarns. The average value of woollen sweaters increased by more than 55 per cent during this period and of acrylic sweaters by about 23 per cent. Woollen and acrylic sweaters, together, accounted for more than 75 per cent of the value of shipments of sweaters by Canadian manufacturers, in 1968.

Table 13: Average Value of Canadian Shipments of Sweaters, 1961 and 1968

	<u>1961</u> \$ per dozen	<u>1968</u>	<u>Change 1961-68</u>	
			<u>\$/doz.</u>	<u>per cent</u>
<u>Men's</u>				
Wool	53.55	89.32	35.77	+66.8
Acrylic	45.26	53.67	8.41	+18.6
Text. fil.(a)	44.23	35.55	-8.68	-19.6
Other	<u>30.79</u>	<u>55.82</u>	<u>25.03</u>	<u>+81.3</u>
Total	46.48	62.92	16.44	+35.4
<u>Women's</u>				
Wool	50.12	67.34	17.22	+34.4
Acrylic	35.83	44.66	8.83	+24.6
Text. fil.(a)	34.09	36.73	2.64	+7.7
Other	<u>45.63</u>	<u>48.68</u>	<u>3.05</u>	<u>+6.7</u>
Total	37.55	46.78	9.23	+24.6
<u>Children's</u>				
Wool	19.23	22.15	2.92	+15.2
Acrylic	17.36	22.88	5.52	+31.8
Text. fil.(a)	20.67	)22.01	)5.20	)30.9
Other	<u>11.96</u>			
Total	17.51	22.50	4.99	+28.5
<u>All sweaters</u>				
Wool	49.56	77.66	28.10	+56.7
Acrylic	34.02	41.90	7.88	+23.2
Text. fil.(a)(b)	35.00	36.34	1.34	+3.8
Other(b)	<u>35.89</u>	<u>50.57</u>	<u>14.68</u>	<u>+40.9</u>
Total	37.22	46.26	9.04	+24.3

(a) Includes stretch yarns

(b) Excludes children's sweaters

Source: Derived from DBS Cat. No. 34-215

In some instances the higher unit values reflect such things as a higher degree of styling, larger numbers of styles and smaller runs. In addition, some changes in styles, as in the case of bulky-knit sweaters, require larger amounts of yarn per garment which would increase their cost. However, whatever the reason, it is clear from the table that unit values of most Canadian sweaters increased substantially between 1961 and 1968.

THE CANADIAN SWEATER KNITTING INDUSTRY

The material in this section relates to the information obtained by the Board from a special tabulation of a group of 55 manufacturers who produce sweaters. In 1968, the sweater knitters included in the Board's tabulation produced about 80 per cent of all men's sweaters manufactured in Canada, more than 80 per cent of the women's sweaters and about 35 per cent of the children's sweaters. About 80 per cent of the value of shipments of these plants was derived from the sale of sweaters and 10 to 11 per cent was from knitted suits and dresses, T-shirts, jerseys, sweatshirts, and knitted fabrics. The remaining nine to ten per cent consisted of miscellaneous children's goods and a variety of unidentified knit goods.

As the above indicates, the Board's sample covers a very large part of what must be regarded as the Canadian sweater industry. Although some specialized knitters of sweaters may have been omitted, it is most unlikely that their inclusion would result in changes of any significance in the analysis which follows.

In 1968, these sweater knitters reported total sales of \$80.6 million, of which sales of sweaters amounted to \$64.5 million or 80 per cent of the total, a somewhat larger proportion than the 76 per cent of the total reported in 1962. Shipments reported by these knitters are shown in the following table.

Table 14: Average Volume and Value of Shipments, Per Plant,
Reported by Sweater Knitters, 1962, 1967 and 1968

	<u>1962</u>	<u>1967</u>	<u>1968</u>	<u>Change 1968 from 1962</u>	
	'000	doz.	per plant	'000 doz.	per cent
Men's	4.9	6.3	7.6	2.6	53.7
Women's	11.8	14.1	13.4	1.6	13.7
Children's	<u>2.7</u>	<u>2.8</u>	<u>2.5</u>	<u>-0.2</u>	<u>-6.8</u>
Total	19.4	23.3	23.5	4.1	21.0
	\$'000 per plant			\$'000 per cent.	
Men's	238	363	464	225	94.4
Women's	490	642	641	152	31.0
Children's	<u>62</u>	<u>81</u>	<u>68</u>	<u>6</u>	<u>10.0</u>
Total	790	1,086	1,173	383	48.5
Other than sweaters ^(a)	<u>250</u>	<u>268</u>	<u>292</u>	<u>41</u>	<u>16.8</u>
Total Shipments	1,040	1,354	1,465	425	40.9

(a) Details not shown because of confidentiality; includes T-shirts, jerseys, sweatshirts, knitted suits and dresses, knitted fabrics for sale, etc.

Source: T.B. special tabulation of 55 sweater knitters

It is evident, from the table, that the volume and value of sales per plant increased very substantially between 1962 and 1968. Of the increase in total shipments per plant of \$425,000, 90 per cent was derived from increased sales of sweaters. The table also shows that these knitters tended to increase their specialization in the production of sweaters; in 1962 sales of sweaters accounted for 76 per cent of their total sales revenue whereas in both 1967 and 1968 they accounted for about 80 per cent. The only evidence of diversification is with respect to knitted suits and dresses; sales of these garments increased substantially, from 1962 to 1968.

It is also evident from the table that the quantity of men's sweaters shipped was greater in 1968 than in 1967 whereas shipments of both women's and children's sweaters declined, women's by five per cent and children's by ten per cent; on the other hand, shipments of T-shirts, jerseys, sweatshirts and knitted suits and dresses increased by nine per cent between 1967 and 1968.

A generally similar picture is apparent from the values of sweaters shown in the table. However, because the average value of Canadian sweater production increased substantially during the sixties, the percentage changes between 1962 and 1968, in terms of value, are much larger than when measured in terms of volume. For the same reason, the total value of shipments of sweaters increased between 1967 and 1968, in spite of some decline in sales of women's and children's sweaters. The value of sales of goods, other than sweaters, rose by nine per cent between 1967 and 1968, the much larger value of sales of knitted suits and dresses being largely offset by smaller sales of other goods.

In 1968, the 55 plants included in the Board's tabulation had average sales of all goods of \$1.5 million per plant and average sales of sweaters of \$1.2 million. However, 80 per cent of the total shipments and 76 per cent of the shipments of sweaters was by plants with sales exceeding one million dollars; these larger plants had average sales of \$2.4 million.

Table 15: Selected Statistics Relating to Sweater Knitters, 1962 and 1968

<u>Value of Shipments</u>	<u>Per Cent of Plants</u>	<u>% of Total Value of Shipments</u>	<u>Average Value of Shipments</u>		<u>Av. No. of Employees Per Plant</u>
			<u>Total</u>	<u>Sweaters</u>	<u>No.</u>
			\$'000		
<u>1962</u>					
Small plants ^(a)	66.7	31.7	494	442	49.8
Large plants ^(b)	<u>33.3</u>	<u>68.3</u>	2,133	1,486	209.1
All plants	<u>100.0</u>	<u>100.0</u>	1,040	790	102.9
<u>1968</u>					
Small plants ^(a)	50.9	20.3	585	553	44.1
Large plants ^(b)	<u>49.1</u>	<u>79.7</u>	2,377	1,816	172.1
All plants	<u>100.0</u>	<u>100.0</u>	1,465	1,173	106.9

(a) Value of shipments less than \$1 million

(b) Value of shipments \$1 million and over

Source: T.B. special tabulation of 55 sweater knitters

It is apparent that there was a considerable growth, 1962 to 1968, in the average value of total shipments per plant (+41 per cent), the value of sweater shipments per plant (+48 per cent) and in the relative importance of plants with sales exceeding \$1 million. The available information suggests that there was little change in the total number of sweater knitters in this period, although the ownership of some plants may have changed hands.

The Tariff Board survey also shows that for 37 plants which were in operation in both years, total sales increased from \$36.6 million in 1962 to \$63.1 million in 1968, a gain of 72.4 per cent; about 80 per cent of the increase in sales was accounted for by sweaters. Seven plants recorded a decline in sales which, in total, amounted to \$2.5 million or 21 per cent of their combined 1962 sales value.

Distribution of Costs of Sweater Knitters

At the public hearing, the Board was informed that yarn represents approximately 85 per cent of the raw material cost for sweaters of man-made fibre yarns and as much as 90 to 94 per cent in the case of woollen sweaters. (Vol. 1, page 74, 75) Thus, man-made fibre yarns would constitute about 57 per cent and woollen yarns 60 to 63 per cent, of the total cost of purchased inputs used in the manufacture of the respective sweaters, inclusive of wages. The distribution of the principal items of direct cost is given in the following table for a group of companies which produced sweaters exclusively.

Table 16: Percentage Distribution of Principal Direct Costs of Producing Sweaters, by Size of Establishment, 1962 and 1968

	<u>Small Plants</u> (a)	<u>Large Plants</u> (b)	<u>All Plants</u>
	- per cent of total direct costs -		
<u>1962</u>			
Raw materials	71.3	70.0	70.6
Wages	23.3	22.7	23.0
Other	<u>5.3</u>	<u>7.3</u>	<u>6.4</u>
Total	100.0	100.0	100.0
<u>1968</u>			
Raw materials	65.0	68.6	67.2
Wages	28.3	26.5	27.2
Other	<u>6.7</u>	<u>4.9</u>	<u>5.6</u>
Total	100.0	100.0	100.0

(a) Value of shipments less than \$1 million

(b) Value of shipments \$1 million and over

Source: T.B. special tabulation based on 55 sweater knitters

In 1962, there appear to be no significant differences in the distribution of costs of establishments of different size but, in 1968, materials were a slightly larger part of costs, and wages a smaller part, for the larger plants.

A comparison of these costs, in terms of dollars per dozen sweaters, is given in the following table.

Table 17: Principal Direct Costs of Producing Sweaters,
by Size of Establishment, 1962 and 1968

	Small Plants (a) - \$ per dozen sweaters	Large Plants (b)	All Plants
<u>1962</u>			
Raw materials	22.53	20.38	21.32
Wages	7.37	6.61	6.94
Other (c)	<u>1.69</u>	<u>2.12</u>	<u>1.93</u>
Total	31.59	29.12	30.20
Unit value of shipments	38.82	37.79	38.24
<u>1968</u>			
Raw materials	22.72	27.47	25.49
Wages	9.88	10.63	10.32
Other (c)	<u>2.33</u>	<u>1.95</u>	<u>2.10</u>
Total	34.92	40.05	37.91
Unit value of shipments	45.51	52.94	49.84

(a) Value of shipments less than \$1 million

(b) Value of shipments \$1 million and over

(c) Includes electricity, maintenance and miscellaneous supplies, and payment for work done by others

Source: T.B. special tabulation based on 55 sweater knitters

The table indicates that, between 1962 and 1968, total direct costs rose from \$30.20 to \$37.91 per dozen, an increase of \$7.71. Of this increase, raw materials accounted for \$4.17 (54 per cent of the rise) and wages for \$3.37; other costs increased by only 17 cents per dozen. The smaller plants had the lower costs in 1968 and also sold their output at a substantially lower unit price than the larger plants; in 1962, the larger plants had the lower costs and selling price.

Employment by Sweater Knitters

Based on the average output of sweaters per employee in plants producing only sweaters, 4,600 persons in 1962 and 5,800 in 1968 were employed in activities associated with the production and sale of sweaters by Canadian manufacturers. The average annual wages and salaries of these employees was \$2,732 in 1962 and \$4,173 in 1968; their estimated total earnings was \$12.5 million in 1962 and \$24.1 million in 1968. Some selected statistics regarding employment and output, in factories which specialize in sweaters, are given in the table which follows.

Table 18: Selected Statistics Relating to Employment and Output in Sweater Knitting Plants, 1962 and 1968

	1962	1968 number per plant	Change 1962-68	
			Actual	Per Cent
Production workers ^(a)	57.2	60.9	3.7	+6.5
Other employees ^(b)	8.7	7.5	-1.2	-13.8
Total employees	65.9	68.3	2.4	+3.6
average earnings per employee				
Production workers ^(a)	2,416	3,643	1,227	+50.8
Other employees ^(b)	4,818	8,499	3,681	+76.4
Total employees	2,732	4,173	1,441	+52.7
shipments of sweaters per employee - dozens				
Production workers ^(a)	347.9	353.1	5.2	+1.5
Total employees	302.2	314.6	12.4	+4.1
shipments of sweaters per employee - \$'000				
Production workers ^(a)	13.3	17.6	4.3	+32.2
Total employees	11.6	15.7	4.1	+35.3
wages & salaries per dozen sweaters				
Production workers ^(a)	6.94	10.32	3.37	+48.7
Total employees	9.04	13.26	4.22	+46.7

(a) Production and related workers

(b) Includes administrative, office, sales and distribution employees

Source: T.B. special tabulation based on 55 sweater knitters

The increase between 1962 and 1968, in numbers of production workers per plant, is related to the larger output per plant noted earlier. However, the decline in the numbers of other employees and the consequent lower ratio of these to production workers suggests a rationalization in the use of such staff. As the table indicates, average salaries and wages per dozen sweaters rose by \$4.22, more than 45 per cent, in this period. However, the value of output per employee increased by about one-third.

In 1968, the approximately 5,800 production and other employees earned an average of \$4,173. However, the production workers alone had average earnings of only \$3,643 or about \$70 per week, almost the same as the \$71 a week reported as the average weekly earnings in plants classified as "Other Knitting Mills" by the DBS.

Labor earnings in the knitting industry are amongst the lowest of the approximately 75 manufacturing industries for which the DBS publishes data and are comparable with those in the "Women's Clothing" industry. Some comparisons of average earnings are given in the following table.

Table 19: Average Weekly Wages in "Other Knitting Mills"
Compared with those in Other Industries,
Selected Years 1957-69

	Other Knitting Mills	Women's Clothing	Textile Products ^(a)	Non-Durable Goods	Total Mfring
		-	dollars per week	-	
1957	42.62	45.43	56.85	65.49	70.70
1960	47.28	49.56	64.01	73.73	78.88
1963	52.43	54.78	70.25	80.69	86.90
1966	61.63	61.80	82.58	92.93	100.16
1968	70.96	71.01	95.29	106.16	114.42
1969	76.56	75.63	102.05	114.14	122.93

(a) Includes mainly manufacturers of fibres, yarns and fabrics;
excludes hosiery, knitting and clothing industries

Source: DBS Cat. No. 72-201

Financial Returns of Sweater Knitters

For this analysis, special tabulations were made of the financial returns, 1965 to 1968 inclusive, of about 50 companies (40 in 1965), which produced sweaters. About half the companies produced only sweaters; the remainder manufactured a variety of other knitted garments in addition to sweaters. The following table compares the rates of return on assets of these companies with those of other industries.

Table 20: Comparison of Financial Returns of Sweater
Knitters with those of Other Industries, 1965-68

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
		-	per cent	-
<u>Profit^(a) as % of Assets</u>				
All cos. producing sweaters ^(b)	6.3	6.8	6.1	9.3
Cos. producing only sweaters ^(b)	8.1	7.0	9.4	11.1
Women's clothing	1.9	5.2	7.3	..
All clothing	4.1	4.1	5.3	..
Household furniture	5.9	6.0	4.1	..
Total manufacturing	9.8	8.8	7.4	..

(a) Profit before income tax

(b) Based on special tabulations

Source: DBS Cat. No. 61-207

The "Women's Clothing" and "Household Furniture" industries were included in the table because both are labor-intensive as is the sweater knitting industry. Also, the women's clothing industry, like the sweater industry, produces garments by cut-and-sew methods and is affected by rapid changes in fashions.

As the table indicates, profit relative to assets was higher for sweater knitters than for the other industries used for comparison, but lower than the average for all manufacturing industries in two of the three years. The table also shows that companies which produced only sweaters out-performed those which manufactured other knit goods in addition to sweaters.

The available data also permitted the separation of large and small companies; this separation was based on companies whose income from sales was one million dollars or more and those whose sales income was less than one million dollars. These data are presented below.

Table 21: Financial Returns of Sweater Knitters,
According to Sales Income, 1965-68

	<u>1965</u>	<u>1966</u> - per cent -	<u>1967</u> -	<u>1968</u>
<u>Profits as % of Assets</u>				
Small companies(a)	5.0	4.9	4.7	4.0
Large companies(b)	6.7	7.3	6.6	11.3
<u>Profits as % of Sales</u>				
Small companies(a)	2.5	2.7	2.8	2.3
Large companies(b)	3.9	5.3	3.6	5.9

(a) Sales less than \$1 million

(b) Sales \$1 million and over

Source: Based on special tabulations

It is evident, from the table, that large companies were much more profitable than small companies in each of the four years. This is also suggested by the data given in table 17. The difference between the average value of shipments and the direct costs, shown in table 17, increases with the size of plant, both in 1962 and 1968. In conjunction with the profit figures, these data indicate that larger plants have advantages over smaller plants in the production and sale of knitted goods.

No detailed analysis of companies reporting losses was undertaken because there were too few to provide a useful sample. Five companies each reported losses in two years and four others, each in one year.

IMPORTS OF SWEATERS

Until about 1964, Canadian manufacturers supplied more than 90 per cent of the sweaters marketed in Canada. Between 1962 and 1964, imports of Italian woollen sweaters increased and, in 1965, Asian sweaters of man-made yarns also began to be imported in greater quantities. By 1967, imports of all sweaters had expanded very substantially and constituted about 28 per cent of the total Canadian market supply in that year; in 1968 they supplied about 36 per cent of the total market. Imports of woollen sweaters declined by about ten per cent, in 1969, but imports of other fibre types more than offset this decline with the result that imports supplied about 44 per cent of the total market volume, in 1969. Some of the relevant statistics are presented below.

Table 22: Imports of Sweaters, by Principal Fibre, 1961-69

	<u>Wool</u>	Other-than <u>wool</u>	Total <u>Imports</u>
		- thousand dozen -	
1961	87	39	125
1962	92	25	117
1963	141	26	167
1964	151	35	186
1965	179	99	278
1966	237	314	551
1967	182	459	641
1968	267	767	1,034
1969	242	963	1,205

- value for duty in million dollars -

1961	4.5	0.7	5.2
1962	5.0	0.6	5.6
1963	7.8	0.5	8.4
1964	8.2	0.9	9.0
1965	9.1	2.2	11.3
1966	10.3	4.6	14.9
1967	8.8	7.3	16.1
1968	11.5	12.6	24.1
1969	11.1	14.9	26.0

Source: DBS Cat. No. 65-004

It is evident from the table that whereas woollen sweaters were the principal kind imported before 1965, in terms of volume, other-than-wool sweaters became much more important thereafter, and, in 1969, accounted for 80 per cent of total imports. However, they constituted only 57 per cent of the value of imports in 1969.

Imports of woollen sweaters increased by almost one-third in 1966 and then fell and rose in alternate years between 1967 and 1969. In 1969, 49 per cent of the volume and 47 per cent of the value, of the woollen sweaters sold in Canada, were produced in foreign countries.

The increased imports of sweaters of fibres other-than-wool, in 1965, resulted mainly from much larger shipments from Japan, Taiwan, Hong Kong and, to a lesser extent, Italy and the U.S.A.; the three Asian countries accounted for about 80 per cent of the increase. In 1966, imports of sweaters containing man-made fibres more than trebled and continued to increase rapidly; in 1969 they constituted approximately 42 per cent of the other-than-wool sweaters sold in Canada. However, because a large part of these imports were low-priced relative to Canada-made sweaters, they accounted for only 32 per cent of the market value of all other-than-wool sweaters sold in Canada.

Origin of Imports

The origin of imports changed greatly as imports rose. In 1962, the year before the first large increase in imports of woollen sweaters occurred, about 80 per cent of these sweaters were imported from Britain and Italy; Britain, alone, supplied 64 per cent of the total. In 1969, these two countries, together, supplied only 34 per cent of the total imports and Hong Kong, alone, 47 per cent.

Table 23: Woollen Sweaters: Imports by Principal Country of Origin, 1961, 1965 and 1969

	<u>1961</u>	<u>1965</u>	<u>1969</u>	<u>1961</u>	<u>1965</u>	<u>1969</u>
		'000 dozen			\$ million(a)	
Britain	55.3	62.2	54.2	2.9	3.8	3.3
Italy	12.6	57.1	27.1	0.5	2.4	1.4
Hong Kong	0.2	29.4	113.7	*	1.4	4.4
Others	18.5	30.0	46.5	1.0	1.4	2.0
Total	86.5	178.8	241.5	4.5	9.1	11.1
	% of volume			% of value		
Britain	63.9	34.8	22.4	65.0	41.8	29.7
Italy	14.6	31.9	11.2	12.2	26.8	12.7
Hong Kong	0.2	16.5	47.1	0.4	15.5	39.6
Others	21.3	16.8	19.3	22.4	15.9	18.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

(a) Value for duty

Source: Derived from DBS Cat. No. 65-004

An even greater change occurred in the origin of imports of sweaters of other-than-wool. In 1964, before imports of these began their steep rise, one-third of the total originated in Japan and about 17 per cent in Italy and the U.S.A., combined; the remaining 50 per cent consisted of relatively small shipments from a large number of countries. In 1969, the largest foreign suppliers were Taiwan and South Korea with 33 per cent and 23 per cent, respectively, of the total imports. Five major, Asian suppliers, together, accounted for about 85 per cent of the total volume and value of Canadian imports of sweaters containing man-made fibres.

Table 24: Other-than-wool Sweaters: Imports by Principal Country of Origin, 1961, 1965 and 1969

	<u>1961</u>	<u>1965</u>	<u>1969</u>	<u>1961</u>	<u>1965</u>	<u>1969</u>
		'000 dozen			\$ million(a)	
Hungary	-	*	44.9	-	*	0.5
Poland	-	1.0	12.4	-	*	0.1
Roumania	-	-	29.1	-	-	0.3
Hong Kong	2.8	8.6	113.2	*	0.1	1.9
China(b)	-	-	73.9	-	-	1.2
Japan	6.7	38.1	107.5	*	1.1	1.9
South Korea	-	0.2	221.3	-	*	3.3
Taiwan	-	18.5	316.4	-	0.2	4.3
U.S.A.	9.1	5.0	3.5	0.3	0.1	0.1
Others	<u>20.1</u>	<u>28.0</u>	<u>41.1</u>	<u>0.3</u>	<u>0.7</u>	<u>1.3</u>
Total	<u>38.8</u>	<u>99.4</u>	<u>963.4</u>	<u>0.7</u>	<u>2.2</u>	<u>14.9</u>
	% of volume			% of value		
Asia(c)	24.5	65.8	86.4	9.6	65.1	84.1
E. Europe(c)	-	1.0	9.0	-	0.2	6.8
Other	<u>75.5</u>	<u>33.2</u>	<u>4.6</u>	<u>90.4</u>	<u>34.7</u>	<u>9.2</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

(a) Value for duty

(b) People's Republic of China

(c) Regional breakdown based on major suppliers only

Source: DBS Cat. No. 65-004

In 1964, Japan was the largest single source of imports of other-than-wool sweaters with about one-third of the total and Hong Kong and Taiwan, together, supplied an additional seven per cent. In 1969, the principal Asian suppliers, together, accounted for about 85 per cent of the volume and value of imports of such sweaters. By 1969, three Asian countries were exporting more sweaters of other-than-wool than Japan and a fourth was not far behind Japan. As the table indicates, 95 per cent of the volume and 91 per cent of the value of imports in 1969, of these sweaters, were from so-called, low-cost countries in Asia and eastern Europe.

As the preceding indicates, the origin and volume of Canadian imports of sweaters changed dramatically during the 1960's. At the beginning of the decade Britain was the largest single external supplier of the Canadian market, the other major suppliers were Italy, Japan and the U.S.A.; in 1961, Britain accounted for 49 per cent of Canadian imports and, together with Italy and the U.S.A., for almost 70 per cent of the total. By 1969, these three countries accounted for only ten per cent of the total. In 1961, the only Asian countries, which exported substantial numbers of sweaters to Canada, were Hong Kong and Japan; their combined shipments to Canada amounted to 12 per cent of the total volume, in that year. In 1969, the principal Asian suppliers were Hong Kong, the People's Republic of China, Japan, South Korea, and Taiwan; together, they exported nearly one million dozen sweaters to Canada, about 80 per cent of total imports.

Table 25: All Sweaters: Imports by Principal Country of Origin, 1961, 1965 and 1969

	<u>1961</u>	<u>1965</u>	<u>1969</u>	<u>1961</u>	<u>1965</u>	<u>1969</u>
	'000 dozen			\$ thousand(a)		
Britain	60.9	65.9	67.2	3,037.0	3,891.5	3,729.0
Italy	13.9	64.5	40.0	587.3	2,652.8	1,849.0
Hungary	-	*	45.2	-	0.8	552.0
Roumania	-	-	29.1	-	-	337.0
Poland	*	11.4	14.0	0.5	234.2	168.0
Hong Kong	3.0	38.1	226.9	32.0	1,549.8	6,270.0
China ^(d)	-	-	79.5	-	-	1,353.0
Japan	12.0	41.9	119.1	200.0	1,219.6	2,250.0
South Korea	-	0.2	221.6	-	4.7	3,264.0
Taiwan	-	19.8	325.2	-	283.8	4,643.0
USA	11.4	8.3	5.4	510.0	308.1	164.0
Other	<u>24.1</u>	<u>28.1</u>	<u>31.6</u>	<u>819.0</u>	<u>1,172.8</u>	<u>1,412.0</u>
Total	<u>125.3</u>	<u>278.2</u>	<u>1,205.0</u>	<u>5,185.7</u>	<u>11,317.9</u>	<u>25,991.0</u>
	% of volume			% of value		
W. Europe ^(b)	59.7	46.9	8.9	69.9	57.8	21.5
E. Europe ^(c)	*	4.1	7.3	*	2.1	4.1
Asia ^(c)	12.0	35.9	80.7	4.5	27.0	68.4
Other	<u>28.3</u>	<u>13.1</u>	<u>3.1</u>	<u>25.6</u>	<u>13.1</u>	<u>6.1</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

(a) Value for duty

(b) Britain & Italy only

(c) Based on major suppliers only

(d) People's Republic of China

Source: Derived from DBS Cat. No. 65-004

It is evident that Asian countries are now the principal foreign suppliers and the relative importance of western European suppliers, mainly Britain and Italy, is rapidly declining. It is also evident that eastern European suppliers are rapidly increasing their exports to Canada, although, as yet, their share of the total is not large. The rapidity with which Asian countries have gained dominance with respect to imported sweaters is also noteworthy, as is the fact

that Asian and eastern European imports constitute a larger percentage of the volume than of the value of imports, indicating that imports from these areas are generally of cheaper sweaters than those originating in other regions.

Price is clearly the major factor related to the large increases in imports of all sweaters and also to the change in sources of supply. Woollen sweaters imported from Hong Kong are substantially lower in unit value than those imported from western Europe; other-than-wool sweaters from Asian and eastern European countries are also much cheaper than those imported from western European countries. However, it is important to note that comparisons of unit values cannot take into account differences in style or quality which may be very important to consumers; the stability of imports of relatively high-priced, British, woollen sweaters is evidence of this.

Average Values of Imported and Domestic Sweaters

As the following table indicates, British, Italian and Canadian-made woollen sweaters are priced significantly higher than the sweaters from Asian and eastern European countries. In spite of this the British, Italian and Canadian-made woollen sweaters accounted for about two-thirds of the market volume for woollen sweaters in Canada in 1969 - obviously they have an appeal other than price.

Table 26: Woollen Sweaters: Average Values of Imports and of Canadian Shipments, 1967, 1968 and 1969

	<u>Value for Duty</u>			<u>Est. Wholesale Value^(a)</u>		
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	\$ per dozen			\$ per dozen		
Britain	63.82	56.72	60.90	99.36	88.34	94.82
Italy	47.85	47.67	52.08	85.12	83.95	88.40
Poland	30.98	32.57	26.49	55.05	57.35	44.79
Hungary	7.57	26.43	27.03	13.45	46.37	45.41
Hong Kong	36.69	34.52	38.71	65.26	60.76	65.71
China ^(b)	29.03	30.16	33.83	51.41	52.95	57.18
Japan	24.32	30.67	27.43	43.13	53.92	46.98
Taiwan	31.79	30.18	41.80	56.54	53.08	70.69
<u>Cdn. Shipments</u>						
Men's	-	-	-	82.25	89.32	..
Women's	-	-	-	64.24	67.34	..
Total ^(c)	-	-	-	72.76	77.66	84.23 ^(d)

(a) Duty-paid value plus 32 per cent

(b) People's Republic of China

(c) Includes Children's sweaters

(d) From T.B. survey

Source: Derived from DBS Cat. No. 34-215, 65-004

A comparison of unit values of imports and of Canadian shipments is given in the following table, for sweaters of man-made fibres; such sweaters accounted for nearly 75 per cent of Canadian imports, in 1969. It should be noted that this classification does not correspond with the "other-than-wool" sweaters shown in other tables; it excludes shipments of "other" sweaters and sweaters classified in s.c. 784-79 in the import statistics.

Table 27: Man-made Fibre Sweaters: Average Values of Imports and of Canadian Shipments, 1967, 1968 and 1969

	Value for Duty			Est. Wholesale Value ^(a)		
	1967	1968	1969	1967	1968	1969
	\$ per dozen			\$ per dozen		
Italy	38.33	28.61	31.87	68.30	50.40	54.26
Hungary	7.44	15.42	14.30	13.18	27.10	24.31
Roumania	13.95	14.63	17.24	28.54	26.39	29.08
Hong Kong	20.54	19.15	17.09	36.51	33.65	29.12
China ^(b)	14.86	15.42	15.77	26.27	27.00	26.77
Japan	17.97	16.90	18.18	31.81	29.71	31.01
S. Korea	17.40	16.51	14.74	30.89	28.96	24.97
Taiwan	12.65	15.13	13.71	22.51	26.59	23.14
<u>Cdn. Shipments</u>						
Acrylic	-	-	-	42.13	41.90	44.87 ^(c)
Textured filament	-	-	-	34.09	36.34 ^(d)	..
Av. of above	-	-	-	39.73	40.74 ^(d)	..

(a) Duty-paid value plus 32 per cent

(b) People's Republic of China

(c) From T.B. survey

(d) Excludes children's for textured filament yarn

Source: Derived from DBS Cat. No. 34-215, 65-004

In 1969, Canadian shipments accounted for 57 per cent of the total volume but for 66 per cent of the total value of sales of the sweaters listed in the table. The differences between the average values of Canadian shipments and the estimated wholesale values of the "low-cost" imports suggest that Canadian manufacturers are differentiating their products in style, color or otherwise, in order to retain this proportion of the market.

Imports and Canadian Production - A Review

Imports of Asian and eastern European sweaters of other-than-wool yarns began to enter in large numbers in 1965 and increased substantially in volume each year thereafter. In contrast, the volume of Canadian shipments increased in 1964 and 1965, declined in 1966 and 1967, increased in 1968 and declined again in 1969. In terms of value, Canadian shipments continued to rise between 1965 and 1968 but fell by nine per cent in 1969, in spite of a rise in the unit value of shipments of these sweaters. During this period total imports increased from six per cent of the total market volume to 42 per cent of the total.

Table 28: Comparisons of Canadian Shipments of Sweaters and Imports, in terms of Estimated Wholesale Value(a), 1965-69

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dozen				
<u>Wool</u>					
Shipments	342	348	280	316	252(c)
Imports, Asia & E. Eur.(b)	45	89	77	138	142
Other imports	134	149	105	129	100
<u>Other-than-wool</u>					
Shipments	1,525	1,498	1,422	1,500	1,316(c)
Imports, Asia & E. Eur.(b)	66	273	419	708	919
Other imports	33	41	41	59	45
<u>Wool</u>	million dollars(a)				
Shipments	23.6	25.7	20.4	24.5	21.2(c)
Imports, Asia & E. Eur.(b)	3.2	4.9	4.5	8.1	9.1
Other imports	12.0	12.5	10.4	11.5	9.3
<u>Other-than-wool</u>					
Shipments	51.2	53.8	56.8	59.5	54.1(c)
Imports, Asia & E. Eur.(b)	2.6	6.5	10.8	19.4	22.9
Other imports	1.4	1.7	2.0	2.6	2.3

(a) Value of imports shown is duty-paid value plus 32 per cent

(b) Principal suppliers only

(c) Based on T.B. survey

Source: Derived from DBS Cat. No. 34-215, 65-004

Between 1965 and 1969 total sales in Canada of other-than-wool sweaters rose by 655,000 dozen and \$24.1 million while imports increased by 864,000 dozen and \$21.2 million. Thus, the total market volume expanded substantially but shipments of these sweaters, by Canadian producers, actually fell by 209,000 dozens, although their value increased by about \$3 million. Sweaters from the principal Asian and eastern European suppliers accounted for most of the additional volume and value of imports.

The developments with respect to woollen sweaters have been somewhat different. The volume of Canadian shipments of woollen sweaters fell by about 50 per cent between 1952 and 1962, probably largely as a result of the substitution of man-made fibre yarns for woollen yarns, particularly in lower-price ranges; the value of shipments declined by less than 20 per cent in this period. Imports of woollen sweaters increased significantly after 1962 and, therefore, the changes in Canadian production patterns up to that year would have been largely in response to domestic market conditions.

Canadian shipments of woollen sweaters were much larger in 1963 and 1964 than in 1962, in spite of the relatively large volume of imports in those years. Almost all of the additional imports originated in Italy and consisted of sweaters whose average estimated wholesale value was considerably higher than that of the unit value of Canadian shipments. In 1965, woollen sweaters from Hong Kong began

to enter Canada in volume but it was not until 1966 and 1967 that imports from Hong Kong consisted of relatively low-priced sweaters, compared either with those imported from western Europe or with Canadian-made woollen sweaters. Imports of relatively low-priced sweaters from Taiwan and the People's Republic of China also increased in 1966 and 1967.

The initial impact of the larger volume of low-priced imports appears to have been on imports from Italy, which declined by more than one-half between 1966 and 1967 and have continued to enter in a smaller volume since. Canadian shipments of woollen sweaters actually increased slightly between 1965 and 1966, but have generally declined in the past few years, in a somewhat erratic pattern.

Table 29: Average Value of Shipments of Canada-made Sweaters Compared with Estimated Average Wholesale Value of Imports(a), 1965-69

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	\$ per dozen, est. wholesale value				
<u>Wool</u>					
Shipments	68.92	73.76	72.76	77.66	84.23 ^(b)
Imports, Asia & E. Eur. ^{(a)(c)}	72.20	55.50	58.14	58.60	63.84
Other imports	89.99	83.97	98.21	88.96	93.59
<u>Other-than-wool</u>					
Shipments	33.55	35.93	39.94	39.65	41.12 ^(b)
Imports, Asia & E. Eur. ^{(a)(c)}	39.30	23.68	25.82	27.43	24.92
Other Imports	41.34	42.37	49.85	44.43	50.61

(a) Duty-paid value plus 32 per cent

(b) Based on T.B. survey

(c) Principal suppliers only

Source: Derived from DBS Cat. No. 34-215, 65-004

As the unit value comparisons indicate, the differences between the average values of Asian and eastern European imports and those of Canadian shipments are so large that price is clearly the principal reason for the large volume of imports from these countries. Of course, it is equally clear that Canadian manufacturers cannot supply comparable sweaters, in the price ranges of these imports, in spite of the protection afforded by costs of transportation, duty and other factors, which, together, amount to about 70 per cent of the value for duty.

Voluntary Restraints on Exports of Knitted Wear to Canada

There are no restraints relating specifically to exports of sweaters to Canada. However, Japan and the People's Republic of China have been exercising restraints on exports to Canada of knitted garments of certain man-made fibres since 1960 and 1963, respectively. For Japan, the restraints apply to all knitted wear of spun rayon and

synthetic fibres and include certain blends of synthetic and natural fibres of varying proportions; for the People's Republic of China they apply to knitted garments of man-made fibre yarns.

Current Restraints on Exports of Knitted Wear to Canada

<u>Country</u>	<u>Product</u>	<u>Fibre</u>	<u>Relevant Period</u> <u>12 Months Ending:</u>	<u>Maximum</u> <u>Quantity</u> <u>dozens</u>
Japan	Knitted wear	Spun rayon and synthetic	December 31, 1969	401,082
People's Republic of China	Knitted garments	Man-made fibres	July 31, 1970	48,125

The maximum quantities shown, apply to knitted wear of all kinds; thus, to the extent that sweaters are exported, the volume of other knitted wear is reduced.

EXPORTS

Exports of Canadian sweaters have increased in recent years, but even in 1969, the peak year, only about 12,000 dozens, valued at \$943,000 were shipped abroad. In terms of volume, the West Indies and the U.S.A. have been the principal destinations; in terms of value, the U.S.A. has been, by far, the most important market for Canadian-made sweaters. Although Canada exports sweaters to a large number of other countries, the quantity and value of exports vary considerably from year to year. Since 1965 exports to the West Indies and the U.S.A., together, have varied between 69 and 95 per cent of the volume and 80 to 96 per cent of the value, of total exports of Canadian-made sweaters. Judging by the average values, most of the exports to the U.S.A. have been to supply a small, high-priced market.

Table 30: Exports^(a) of Canadian-made Sweaters, by Principal Destination, 1961-69

	<u>Commonwealth</u>		<u>U.S.A.</u>		<u>All Countries</u>	
	<u>Caribbean</u>					
	doz.	\$'000	doz.	\$'000	doz.	\$'000
1961	345	13.5	398	59.4	1,091	96.5
1962	728	32.8	1,218	206.9	2,592	286.8
1963	941	32.2	1,174	238.9	3,609	352.6
1964	1,220	44.0	1,607	301.8	3,629	399.2
1965	2,797	115.4	1,874	297.9	5,888	461.5
1966	3,960	171.7	1,712	264.3	6,870	482.1
1967	4,102	158.0	2,660	323.0	9,829	601.0
1968	1,102	51.0	4,099	505.0	5,768	583.0
1969	2,617	125.0	8,450	782.0	11,617	943.0

(a) Re-exports are excluded

Source: DBS, Cat. No. 65-004

CONSUMPTION OF YARNS BY CANADIAN SWEATER KNITTERS

The principal yarns used in the manufacture of sweaters are wool, spun acrylic, and textured filament yarns of nylon, polyester and cellulose acetate. These yarns are produced by spinners and throwsters. There are no published statistics relating to yarns used only in the production of sweaters and yarns suitable for knitting sweaters can be used in the manufacture of knitted dresses or other knit goods. Therefore, the quantities which are used in the manufacture of sweaters in Canada must be estimated.

The Man-Made Textiles Association estimated that the following quantities of yarn are used in the production of sweaters:

	<u>Wool and</u> <u>Mixtures</u>	<u>Acrylic and</u> <u>Mixtures</u>
	pounds per dozen	
Men's	10.0	9.0
Women's	8.0	7.0
Children's	5.0	4.5

By applying these average weights to the approximate Canadian production in 1969, as established by the Tariff Board survey, it is estimated that consumption of yarns in the manufacture of sweaters by Canadian knitters totalled 11.3 million pounds in that year. By fibre, the estimated use was 2.3 million pounds of woollen yarns, 5.7 million pounds of acrylic yarns and 3.3 million pounds of other yarns.

The estimated consumption of yarns in Canadian-made sweaters, for the period 1964-69, are reproduced in the following table.

Table 31: Estimated Use^(a) of Yarns in Canadian-made
Sweaters, 1964-69

	<u>Wool</u> (c)	<u>Acrylic</u> (c) thousand pounds	<u>Other</u> (c)(d)	<u>Total</u>
1964	3,272	5,539	2,986	11,797
1965	3,023	7,214	3,109	13,346
1966	3,073	6,625	3,377	13,075
1967	2,520	6,553	3,352	12,425
1968	2,839	6,647	3,615	13,101
1969(b)	2,266	5,685	3,312	11,263

(a) Based on conversion factors used by Man-Made Textiles Association

(b) Based on T.B. survey

(c) Includes mixtures

(d) Mainly textured yarns

The available information suggests that acrylic yarns are the principal kind imported in significant quantities for the manufacture of sweaters. According to the Association's estimates, imports of these yarns have increased in each year since 1964, when they supplied nine per cent of the total consumption of acrylic yarns used in sweaters. In 1969, approximately 3.5 million pounds of acrylic yarns were imported of which about 75 per cent or 2.6 million pounds were estimated to have been used in the manufacture of sweaters, according to a spokesman for the Association. This suggests that nearly one-half of the acrylic yarns used by Canadian sweater knitters are imported.

Five Canadian manufacturers produce the man-made fibres which are used in yarns; they are listed below according to the kind of fibre which they produce.

<u>Kind of fibre</u>	<u>Company</u>
Cellulose acetate filament	Chemcell Limited
Acrylic staple fibre	Du Pont of Canada Limited
Polyester filament	Millhaven Fibres Ltd.
Nylon filament	Courtauld's (Canada) Ltd. Du Pont of Canada Limited Millhaven Fibres Ltd. Union Carbide Canada Limited

As the above indicates, acrylic staple fibre is manufactured by only one company in Canada; acrylic yarns accounted for 50 per cent of the total Canadian consumption of man-made and natural fibre yarns and for 63 per cent of the man-made fibre yarns, in 1969. Cellulose acetate and polyester filament, each, are also produced by only one company.

It was said at the public hearing that fibres account for about 45 per cent of the cost of dyed acrylic yarn and that Japanese acrylic fibres can be laid-down in Canada at 65 to 70 cents a pound. This was said to be 25 cents a pound or about 36 per cent, less than the cost of domestic, branded acrylic (Orlon) fibres. (Vol. 2, p. 217, 223, 226)

Evidence given by sweater manufacturers and others also indicated that Canadian, unbranded, dyed, acrylic yarns were priced at \$1.90 to \$1.95 per pound, compared with a laid-down cost of \$1.75 to \$1.80 for dyed, acrylic yarns imported from Japan. (Vol. 1, p. 71, 95; Vol. 2, p. 218) It was claimed that acrylic yarns can be purchased by Asian sweater manufacturers at 95 cents to \$1.05 a pound compared with a cost in Canada for domestic acrylic yarn of \$1.95 a pound. (Vol. 2, p. 281)

It should be noted that acrylic yarns constitute about 57 per cent of the total cost of purchased inputs of a Canadian sweater knitter and, also, that the branded Canadian acrylic yarn, "Orlon", costs 15 cents a pound more than the unbranded.

REPRESENTATIONS

In this Reference, the Board was not requested to make recommendations relating to the relevant tariff items. Consequently, the representations of the various parties dealt with the broad issues involved.

Nine briefs were submitted to the Board in connection with this Reference; five were on behalf of parties who deemed that they had been injured by the rapid increase of imports of sweaters; three others opposed such a conclusion. One, that of the British Hosiery & Knitwear Export Group, said imports from Britain had not increased and therefore could not be involved in the difficulties of the Canadian sweater industry. The briefs which claimed injury to Canadian industry were submitted by:

Knitters Association of Canada
Standard Knitting Co. (1967) Ltd.
Man-Made Textiles Association
The Canadian Chemical Producers' Association
International Ladies' Garment Workers' Union
(AFL-CIO-CLC)

Those which claimed that no injury had resulted from imports were submitted by:

A group of ten importers of sweaters
White Stag of Canada
The Japan Textile Products Exporters' Association

Submissions of the Sweater Knitters and Their Supporters

In general, the sweater knitters, including Standard Knitting Co. Ltd., claimed that the increased volume of imports, in recent years, particularly of sweaters of other-than-wool from Asian and eastern European countries, had taken over a large part of the Canadian market for staple lines of sweaters. This, they said, had resulted in forcing Canadian knitters to specialize in highly styled, specialty sweaters. They claimed that, although the Canadian market had expanded substantially in recent years, Canadian knitters had not participated in this growth.

A summary of the principal points made by the Knitters Association follows.

1. The Canadian market for sweaters has increased substantially in recent years but Canadian production has declined with a consequent loss of job opportunities which might have resulted from a growth of Canadian output.
2. Imports now supply a very large proportion of the Canadian market and this, in itself, is serious injury.
3. About 90 per cent of the imports are from low-cost countries and are laid down in Canada at prices below North American costs; this affects the entire market adversely.

4. Unless remedial action is taken, imports will capture an increasing share of the Canadian sweater market to the point where Canadian production will be almost wiped out.

The Man-Made Textiles Association on behalf of Canadian spinners, throwsters and fibre producers, supported the position of the knitters. Their spokesmen said that in so far as Canadian production of sweaters had been prevented from expanding by the rapid influx of relatively low-priced imports, Canadian spinners, throwsters and fibre producers had been deprived of a market for their products. Although their brief made many references to imports of yarns, such imports are outside the terms of this Reference.

The Man-Made Textiles Association summarized its position as follows.

1. Sweater manufacturers paying Canadian wage rates cannot compete with Asian countries, nor can they compete with the products of state-trading countries where costs are not the determinant of export price.
2. The loss of the market for the end-product, sweaters, is reflected in loss of the market for the products of fibre producers, spinners and throwsters.

The Canadian Chemical Producers' Association expressed their concern at the loss of the market for chemicals used in the manufacture of man-made fibres and filaments. In general, they took the position that the loss of a part of the market for Canadian sweaters would be reflected in a smaller demand for certain chemicals. The Association also claimed that a larger market for their products had beneficial effects with respect to increasing the store of research and development knowledge of the chemical industry.

The International Ladies' Garment Workers' Union (I.L.G.W.U.), in its brief, supported the claim that imports had affected the growth of the sweater knitting industry and said this had resulted in a loss of employment to Canadian workers. Also, the Union expressed concern regarding the possibility of a further loss of employment.

The parties whose views are outlined above were in general agreement that the difference between the laid-down cost of the lower-priced imports and comparable Canadian-made sweaters was so great that tariff rates of a reasonable magnitude would be ineffective in halting the increased volume of imports. In this connection, the spokesman for the Knitters Association said,

"... this is not the sort of thing that could be dealt with by any tariff rates. Tariff rates of 100 per cent would not do it. So the only solution we see ourselves is quantitative restrictions ..." (Vol. 2, p. 258)

The I.L.G.W.U., in its brief, agreed that quantitative restrictions would be one of the alternatives it could recommend for consideration, but went beyond this, as the following indicates.

"In considering the sweater problem in isolation from the problems created by imports of other apparel items, the only remedies lie either in the heightened custom duties or else in the negotiation of agreements with the offending nations to limit their shipments here. But, a piece-meal approach, however effective it may be for a time, contains its own seeds of destruction. We have seen in the recent past how imports of product after product in apparel and textiles have been rising and how our market has been invaded, principally from the low-wage countries. We have witnessed how unduly limiting criteria in defining a particular item of apparel in bilateral agreements with foreign nations induced minor shifts in fiber blends and effectively eroded the intent of the agreements." (Vol. 2, p. 402)

Submissions of Importers of Sweaters

A group of ten importers disagreed with the views expressed by the Canadian sweater knitters and their supporters. They said the increased imports of sweaters reflected a swing in Canadian consumers' preferences towards knitted goods and, more specifically, for knitted goods of other-than-wool yarns. They claimed that the customs tariff and other factors provided adequate protection for Canadian sweater knitters and that knitters who had taken advantage of the fashion trend towards knitted goods had expanded their operations. They also drew the Board's attention to the benefits to consumers of the availability of low-priced sweaters in the Canadian market.

The principal arguments of the importers were as follows:

1. The volume of imports of knitted sweaters has increased in recent years because of the fashion trend towards these goods and, therefore, reflect changes in Canadian consumers' preferences.
2. Canadian knitters have many advantages in competing with imported sweaters. These include the existence of very high tariff rates; the general use of highly automated knitting equipment in Canada in contrast to the prevalence of hand-frame machines in Asian countries; the much shorter time required between placing an order and receiving finished goods from a Canadian manufacturer relative to a knitter in Asia; the ability of Canadian knitters to adjust their output quickly in order to take advantage of a change in styles.
3. The impact of imports on Canadian knitters should be judged in terms of the total output of knitted goods, not just sweaters, in order to take account of profitable adjustments of the industry to changes in market demand to related goods produced by the industry.
4. Imports of knitted sweaters have been effective in holding down the average prices of these goods during a period of inflation when the cost of living has increased greatly.

White Stag of Canada, in its brief, informed the Board that it and certain associated companies manufactured "bottoms" which were designed to be sold in conjunction with co-ordinated knitted "tops". The company claimed that, for a variety of reasons, its requirements could not be supplied by Canadian knitters, many of whom were in direct competition with White Stag.

The company claimed that most of the sweaters which it imported were of a type that cannot be produced readily in Canada and which were sold in Canada at generally higher prices than the average of Canadian-made knitted goods. It said that the ability to import the special types of sweaters had enabled the company to expand its output of "bottoms" very substantially and urged that any material change in its ability to continue to import such goods would put the company out of business.

British Hosiery & Knitwear Export Group

The British Hosiery & Knitwear Group said that imports of sweaters from Britain had been predominantly of woollen yarns and of a class of goods not obtainable from other sources. These, they said, cater to a luxury trade and complement rather than compete with Canadian production. The Group pointed out that the rise in imports of sweaters had not occurred in any of the classes of goods of which Britain is a significant supplier and, in fact, British shipments to Canada had declined slightly since 1965. Therefore, the Group claimed, imports from Britain cannot be regarded as a serious threat to Canadian manufacturers.

The British Export Group drew the Board's attention to the accelerated tariff reductions arising out of the G.A.T.T. Kennedy Round negotiations and the resulting reduction in the Commonwealth margin of preference and noted that this placed imports from Britain in a relatively less favorable position with respect to goods where price considerations are important. They also cited certain disadvantages of exporters to the Canadian market, including freight charges, the additional cost of packaging for export, higher costs of communicating with and visiting prospective buyers, the cost of longer credit terms because of the longer period during which goods are in transit and the additional costs of maintaining stocks in Canada in order to provide service to customers.

The Japan Textile Products Exporters' Association

The Japan Textile Products Exporters' Association, in its brief, said Japanese exports of knitted wear have been declining as a proportion of Canadian imports of these goods and, in effect, Japanese producers were competing not with Canadian industry but with textile industries in other countries. The brief drew the Board's attention to the fact that knitted wear exported to Canada is subject to certain limits agreed to by the Governments of Japan and Canada and said that any additional artificial barrier to the entry of Japanese knitted wear would, therefore, seem inappropriate.

The Association's brief reviewed the growth of the Canadian knitting industry with respect to size of enterprise, employment, output and equipment used, and concluded that the changes in the volume and value of Canadian shipments of sweaters relative to other knitted goods were due to the rationalization of the Canadian industry in recent years. (Vol. 2, p. 379)

Both this brief and that of the British Export Group commented on the overall trade situation between Canada and their respective countries and both drew the Board's attention to Canada's favorable balance of trade in each case.

SUMMARY AND CONCLUSIONS

In his letter of reference the Minister directed the Board to make a study of the impact of imports of knitted outer garments normally described as sweaters, cardigans or pullovers, on the Canadian producers of these garments and the producers of other related products. The letter indicated that the Government wished to have the most pertinent information which could be obtained regarding the production, consumption, marketing, imports and exports, of these products.

Perhaps the most striking aspect of the sweater business in Canada has been the extent of the changes which have taken place, particularly in the last few years.

In the decade between 1951 and 1961 the market for sweaters increased by about 50 per cent, from about one million dozen to 1.5 million dozen. From 1961 to the present, the market continued to expand but at a much faster rate; in 1968 and 1969 the total market was close to 2,800,000 dozen, about 80 per cent larger than it was in 1961.

Shipments of sweaters by Canadian knitters increased from about 1,400,000 dozen in 1961 to about 1,800,000 dozen in 1965, 1966 and 1968; in 1967 shipments were about 1,700,000 dozen. However in 1969, they were probably less than 1,600,000 dozen, the lowest figure since 1963.

Thus, although the total market increased considerably, the share of the market supplied by Canadian knitters has been declining quite rapidly since about 1965. Up until 1965, Canadian knitters had consistently been supplying about 90 per cent of the Canadian market; in 1965, imports accounted for about 13 per cent of the market, in 1967 about 27 per cent, in 1968 about 36 per cent, and in 1969 probably about 44 per cent.

From 1961 to 1969 not only did the volume of imports change substantially but also their sources, their fibres and their prices. In 1961, total imports were about 125,000 dozen, over 40 per cent of which were woollen sweaters from the United Kingdom with a value for duty of over \$50.00 per dozen; in 1969, imports totalled about 1,200,000 dozen, over 50 per cent of which were other-than-wool sweaters from Taiwan, Hong Kong and South Korea, with an average value for duty of about \$15.00 per dozen.

From the foregoing, it is obvious that the sweater market in Canada has undergone a considerable change, particularly in the last few years.

It is some times contended that "low-cost" imports create their own market and consequently do not affect the market of Canadian producers; in the Board's view, this is not so in the case of sweaters. What appears to have happened is that "low-cost" imports, to a considerable extent, have taken over the market, at least in the lower price ranges, for "staple" sweaters, such as back-to-school sweaters for children and the classic pullover-cardigan set for women. It is the Canadian sweater industry that has created the new market, or at least expanded and developed the market as well as the market for other garments of knitted fabrics. The Canadian sweater manufacturers

developed a market for sweaters which were different from the low-cost imported ones; they concentrated on high fashion sweaters, introduced fancy knits and ornamentation of various kinds, they offered a wide range of colours and yarns. Canadian knitters informed the Board that whereas formerly they might change about 10 per cent of their line each year, which meant that on the average a particular style ran for about ten years, today they carry over from one year to the next only about one-third of their styles which means that the life of a style is now about three years.

Thus, an examination of the figures of consumption, production and imports does not reveal the significant changes which have been taking place in the Canadian sweater industry. These changes have enabled the Canadian industry, at least up until 1969, to maintain shipments at a high level, and at prices which appear to have resulted in reasonable financial returns.

However, information obtained in the Board's survey of a number of sweater knitters suggests that in 1969 Canadian shipments declined substantially, perhaps by as much as 15 per cent, in volume, from the 1968 figures.

Whether the policies of innovation and flexibility which enabled the Canadian industry to adjust to the rapid and substantial increase in the imports of "low-cost" sweaters in recent years will be as effective in the future is uncertain.

One thing seems clear - Canadian knitters, incurring Canadian production and operating costs, as they must, cannot compete, on a price basis, with sweaters from the "low-cost" countries, notwithstanding the duty, transportation and other charges involved in importing; in fact, Canadian knitters appear to have already relinquished the field of low priced "staple" sweaters.

As for 1970, with the somewhat slower pace of business activity thus far, it would not be surprising if the total sweater market were to decline somewhat and shipments of Canadian sweaters might well absorb a greater share of the decline than the lower priced imports.

Concerning "low-cost" imports generally, there are two aspects upon which it might be useful for the Board to comment.

In Canada, for many years, the primary role of the tariff has been to provide protection, at reasonable rates of duty, to Canadian manufacturers. The Most-Favoured-Nation Tariff, which provides a uniform rate of duty to all Most-Favoured-Nations, by its very nature, does not fulfil that role with respect to goods from "low-cost" countries. So long as standards of living and living costs in the major trading nations were not greatly divergent, the application of the Most-Favoured-Nation rate to such nations worked reasonably well in nearly all cases, as it did in the period between the two World Wars and in the early years of GATT. However, particularly in the past decade, the major trading nations have come to include nations

with much more diverse cultures and standards of living; in consequence, a uniform rate of duty applied to all the major trading nations no longer performs the traditional role of the tariff. Many countries no longer rely on the tariff but instead, apply quotas or other restrictions to control the volume of imports from the "low-cost" exporters.

The second comment concerning "low-cost" imports is that knitted sweaters from the "low-cost" countries is but one example of a relatively new pattern of trade. There is increasing evidence that the under-developed countries are recognizing and making use of the advantage they possess in one important resource which is becoming more and more scarce in the developed countries and that is low-cost labour. There is also increasing evidence that more and more multi-national corporations are utilizing this resource, particularly in the production of goods for export to the more highly industrialized countries.

The textile industry is one in which the under-developed nations have made good use of their resources of low-cost labour. For many years, Japan was, of course, the major exporter of textiles, however labour costs have increased in that country to the point where Japan is finding it increasingly difficult to compete with the "lower-cost" countries. There are indications that some of the developments in these other countries, particularly in Taiwan, are being financed by Japanese interests. The electronics industry has also developed the advantages of operating in the "low-cost" countries; while much of this production has taken place in Japan, an increasing share of it is being accounted for by other countries, such as Hong Kong and Taiwan.

The list of goods being produced by the under-developed nations for export to the more highly-developed nations may be expected to expand; the wider the differential between labour costs, the more rapidly this expansion may be expected to take place. This expansion would take place much more rapidly, of course, were it not for the protective measures adopted by the developed nations, the most significant being quantitative restrictions. Certainly it is understandable why the developed nations become concerned when the existence of long-standing domestic industries appears to be threatened by a sudden and increasing flow of imports from the "low-cost" countries.

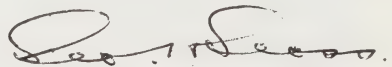
There seems little reason to doubt that the ordinary level of Most-Favoured-Nation Tariff rates is virtually meaningless in respect of competition from the "low-cost" nations and that most readily transportable articles which lend themselves to production in the under-developed nations can be marketed in the more highly-industrialized countries at prices with which the domestic industry in these countries cannot compete. Experience suggests that even the use of quotas frequently serves only to prolong somewhat the life of the domestic industry. In Canada, we have a number of illustrations of this, --stainless steel cutlery, rubber-soled canvas footwear, the knitted glove industry and more recently, the decision of one of the major electronic tube manufacturers to cease production in Canada of receiving tubes and colour picture tubes.

It seems clear that the developing nations, both on their own and with the assistance of multi-national corporations, will continue to offer competition to many industries in the industrialized nations, particularly the labour intensive industries, and this

competition may be expected to increase. The effect on domestic industries varies; in many cases, companies have ceased operations, in others they have gradually dropped the products affected and concentrated on others, but often this means dropping staple goods and the loss of the cost and manufacturing advantages which result from their production.

There seems to be an increasing concern that the disparities in living standards and opportunity between nations must be narrowed, and a recognition on the part of the developed nations that this involves the acceptance, not only of raw materials from the less-developed countries but more manufactured goods as well. This concern and recognition is no doubt due in some measure to an increasing awareness that the alternative may ultimately prove to be much more distressing.

In these circumstances, it would seem that in areas of domestic production which appear to be most seriously threatened by "low-cost" imports, the prudent manager will not rely on quotas or other restrictions to maintain such production permanently but rather will use them to provide a temporary opportunity to seek other avenues for employment of the capital and human resources involved. Sweater knitters, to a large extent, are located in major industrial centres so that alternative opportunities may be more readily available. Nevertheless the transition may be difficult, but experience suggests that it holds out the best promise for survival.



First Vice-Chairman



Second Vice-Chairman



Member

Ottawa, July 17, 1970

APPENDIX I
ANNEXE I

STATISTICS
STATISTIQUE

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Table 1
Tableau 1

Other Knitting Mills: Principal Statistics, 1961-67
Industries des tricotés - Statistiques principales, 1961-67

Manufacturing Activity Establishments-Number	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	Activité manufacturière Etablissements-Nombre
	192	200	212	222	227	221	220	
Production and related workers Number	11,419	12,129	12,649	13,473	14,429	13,893	13,139	Travailleurs de la produc- tion et assimilés Nombre
			thousand dollars - milliers de dollars					
Wages	26,992	29,581	32,050	36,513	40,438	41,236	41,811	Salaires
Fuel and electricity	1,186	1,265	1,295	1,395	1,545	1,599	1,685	Combustible et électricité
Materials and supplies	81,654	95,476	107,224	121,291	135,200	140,078	137,150	Matières et fournitures
Value of shipments								Valeur des expéditions de
of goods of own manufacture	143,699	160,493	180,658	203,205	227,841	238,594	237,386	marchandises produites à la fabrique
Value added	60,742	66,245	73,995	84,287	93,201	99,294	97,482	Valeur ajoutée
Total Activity Employees Number	13,639	14,367	14,608	15,497	16,527	15,956	15,323	Activité totale Employés Nombre
			thousand dollars - milliers de dollars					
Salaries and wages	37,150	39,575	42,497	48,047	53,045	54,630	56,631	Traitements et salaires
Value added	60,426	66,281	73,981	84,181	93,113	99,236	97,645	Valeur ajoutée

The Apparent Canadian Market for Sweaters, 1950-69Marché canadien apparent de chandails, 1950-69

<u>Year</u> <u>Année</u>	<u>Shipments</u> <u>Expéditions</u>	<u>Imports (d)</u> <u>Importations</u>	<u>Exports</u> <u>Exportations</u>	<u>Re-Exports</u> <u>Réexportations</u>	<u>Market</u> <u>Marché</u>
	thousand dozen		- milliers de douzaines		
1950	1,263	..	..	..	..
1951	957	..	..	..	..
1952	878	..	..	..	..
1953	963	..	..	..	..
1954	843	..	..	..	..
1955	1,049	..	..	..	..
1956	1,188	..	..	..	..
1957	1,396	..	..	..	..
1958	1,321	..	..	..	..
1959	1,512	..	..	..	..
1960	1,507	..	..	..	..
1961	1,419	125	1	4	1,540
1962	1,388	117	3	1	1,501
1963	1,438 ^(a)	167	4	1	1,600
1964	1,584 ^(a)	186	4	2	1,764
1965	1,867 ^(a)	278	6	*	2,139
1966	1,846	551	7	1	2,389
1967	1,702	641	10	5	2,329
1968	1,816 ^(b)	1,034	6	5	2,839
1969	1,568 ^(c)	1,205	12	9	2,753

thousand dollars - milliers de dollars

1950	24,205	..	...	..	..
1951	24,711	..	..	..	..
1952	24,137	..	..	..	..
1953	25,345	..	..	..	..
1954	25,213	..	..	..	..
1955	30,984	..	..	..	..
1956	34,329	..	..	..	..
1957	40,549	..	..	..	..
1958	42,770	..	..	..	..
1959	48,874	..	..	..	..
1960	49,809	..	..	..	..
1961	52,830	8,552	97	166	61,119
1962	52,989	9,770	287	55	62,418
1963	56,509 ^(a)	14,251	353	79	70,329
1964	62,830 ^(a)	15,297	399	70	77,658
1965	74,728 ^(a)	19,263	462	29	93,500
1966	79,496	25,602	482	31	104,584
1967	77,191	27,643	601	106	104,127
1968	84,014 ^(b)	41,610	583	116	124,925
1969	75,341 ^(c)	43,542	943	220	117,721

Table 2 (Concl'd)
Tableau 2 (Fin)

- (a) Excludes children's sweaters for "Stretch and textured filament yarns" 1963-64 and "wool or chiefly wool" and "Other", 1965; excludes shipments by Hosiery Mills, 1963-65
 - a) Ne comprend pas les expéditions des chandails d'enfant de "Filés de filaments traités et étirables", 1963-1964 et "Laine ou surtout laine" et "Autres", 1965. Ne comprend pas les expéditions de l'Industrie des bas et chaussettes, 1963-1965
 - (b) Preliminary - provisoire
 - (c) Tariff Board survey - Relevé de la Commission du tarif
 - (d) Duty-paid value plus 32% - Valeur des droits à payer, plus 32%
- Source: Various DBS publications - Diverses publications du B.F.S.

Table 3
Tableau 3

Sweaters - Apparent Canadian Market, 1961-69
Chandails - Marché canadien apparent, 1961-69

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dozen - milliers de douzaines								
<u>Imports</u>									
United Kingdom	60.9	62.3	59.4	61.6	65.9	68.9	62.7	73.9	67.2
Italy	13.9	15.5	63.6	65.7	64.5	83.5	40.3	68.0	40.0
Hungary	-	-	-	-	*	16.6	43.1	54.9	45.2
Poland	*	0.6	4.2	8.2	11.4	7.3	12.1	13.6	14.0
Roumania	-	-	-	-	-	-	2.7	8.2	29.1
Hong Kong	3.0	2.1	7.4	6.5	38.1	113.0	133.1	205.7	226.9
People's Republic of China	-	-	-	-	-	17.7	63.5	66.1	79.5
Japan	12.0	7.4	7.4	13.4	41.9	166.3	97.8	110.4	119.1
Korea, South	-	-	-	-	0.2	0.4	61.3	210.4	221.6
Taiwan	-	-	-	4.0	19.8	40.2	81.7	177.1	325.2
United States	11.4	9.2	6.9	7.0	8.3	9.3	5.8	5.0	5.4
Others	<u>24.1</u>	<u>19.6</u>	<u>18.4</u>	<u>19.6</u>	<u>28.1</u>	<u>27.9</u>	<u>37.4</u>	<u>40.9</u>	<u>31.6</u>
Total	<u>125.3</u>	<u>116.7</u>	<u>167.2</u>	<u>186.0</u>	<u>278.2</u>	<u>551.1</u>	<u>641.4</u>	<u>1,034.2</u>	<u>1,205.0</u>
<u>Shipments(a)</u>	1,419.5	1,387.9	1,437.8	1,583.7	1,866.9	1,845.7	1,702.3	1,816.0(b)	1,568.0(c)
<u>Exports</u>	4.9	3.8	4.7	5.3	6.3	7.5	15.0	11.2	20.4
<u>Market</u>	<u>1,539.9</u>	<u>1,500.8</u>	<u>1,600.3</u>	<u>1,764.4</u>	<u>2,138.8</u>	<u>2,389.3</u>	<u>2,328.7</u>	<u>2,839.0</u>	<u>2,752.6</u>
% Imports of Market	8.1	7.8	10.5	10.5	13.0	23.1	27.5	36.4	43.7
<u>Importations</u>									
Royaume-Uni									67.2
Italie									40.0
Hongrie									45.2
Pologne									14.0
Roumanie									29.1
Hong Kong									226.9
République populaire de Chine									79.5
Japon									119.1
Corée du Sud									221.6
Taiwan									325.2
Etats-Unis									5.4
Autres Pays									31.6
Total									1,205.0
<u>Expéditions(a)</u>									
<u>Exportations</u>									
Marché									2,752.6
Importations en % du marché									43.7

Table 3 (Cont'd)
Tableau 3 (Suite)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dollars - milliers de dollars								
<u>Imports (d)</u>									
United Kingdom	4,731.4	5,394.8	5,058.8	5,420.8	6,060.6	6,303.9	5,952.6	5,960.2	5,819.8
Italy	1,044.0	1,346.0	6,008.2	5,886.2	4,721.3	5,188.4	3,185.2	5,119.4	3,142.9
Hungary	-	-	-	-	1.4	191.7	375.8	774.0	939.7
Poland	0.9	22.6	172.4	296.4	416.2	304.8	431.3	440.5	282.4
Roumania	-	-	-	-	-	-	80.9	182.7	571.5
Hong Kong	57.0	269.3	384.2	584.8	2,757.7	4,922.0	5,589.3	9,539.7	10,656.2
People's Republic of China	-	-	-	-	-	645.5	1,809.3	2,156.1	2,295.2
Japan	356.3	231.0	277.0	624.2	2,167.3	4,227.6	2,958.1	3,395.5	3,839.5
Korea, South	-	-	-	-	9.4	17.1	1,881.3	6,098.2	5,531.3
Taiwan	-	-	-	74.5	504.9	1,073.3	2,134.7	4,947.0	7,838.4
United States	906.7	905.1	570.9	589.8	547.5	600.4	512.9	339.1	280.1
Others	1,455.4	1,601.5	1,779.7	1,820.5	2,076.1	2,126.8	2,721.9	2,657.9	2,345.0
Total	8,551.8	9,770.3	14,251.1	15,297.2	19,262.5	25,601.5	27,643.3	41,610.1	43,542.1
<u>Shipments (a)</u>	52,830.0	52,989.0	56,509.0	62,830.0	74,728.0	79,496.0	77,191.0	84,014.0 ^(b)	75,341.0 ^(c)
<u>Exports</u>	262.5	341.5	431.5	469.6	490.1	513.4	706.9	698.9	1,162.0
<u>Market</u>	<u>61,119.3</u>	<u>62,417.8</u>	<u>70,328.6</u>	<u>77,657.6</u>	<u>93,500.4</u>	<u>104,584.1</u>	<u>104,127.4</u>	<u>124,925.0</u>	<u>117,721.1</u>
% Imports of Market	14.0	15.7	20.3	19.7	20.6	24.5	26.5	33.3	37.0
									Importations en % du marché

Table 3 (Concl'd)
Tableau 3 (Fin)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	dollars per dozen - dollars la douzaine								
<u>Imports (d)</u>									
United Kingdom	77.76	86.59	85.24	87.97	91.92	91.50	94.90	80.67	86.61
Italy	74.91	86.75	94.51	89.55	73.18	62.13	79.11	75.29	78.54
Hungary	-	-	-	-	171.63	11.57	8.73	14.10	20.78
Poland	39.05	37.51	40.88	36.00	36.44	41.61	35.60	32.33	20.12
Roumania	-	-	-	-	-	-	29.96	22.18	19.61
Hong Kong	18.85	127.16	52.02	89.55	72.39	43.55	42.00	46.38	46.97
People's Republic of China	-	-	-	-	-	-	-	-	-
Japan	29.81	31.29	37.26	46.62	51.78	36.53	28.49	32.64	28.88
Korea, South	-	-	-	-	55.10	39.61	30.24	30.76	32.25
Taiwan	-	-	-	18.69	25.45	26.72	30.70	28.98	24.96
United States	79.62	98.23	82.97	84.73	65.98	64.70	88.72	67.73	51.46
Others	60.37	81.75	96.77	92.99	73.98	76.19	73.13	65.00	74.10
Total	68.26	83.70	85.22	82.23	69.24	46.46	43.10	40.23	36.14
<u>Shipments (a)</u>	37.52	38.18	39.30	39.67	40.03	43.07	45.36	46.26 (b)	48.05 (c)
<u>Exports</u>	53.85	89.47	91.49	88.40	77.26	68.32	46.97	62.27	56.96
<u>Market</u>	<u>39.69</u>	<u>41.59</u>	<u>43.95</u>	<u>44.01</u>	<u>43.72</u>	<u>43.77</u>	<u>44.71</u>	<u>44.00</u>	<u>42.77</u>
									<u>Marché</u>

(a) Excludes children's sweater shipments for "Stretch and textured filament yarns" 1963-64 and "wool or chiefly wool" and "Other", 1965. Excludes shipments by Hosiery Mills, 1963-65

a) Ne comprend pas les expéditions de chandails d'enfant de "Filés de filaments traités et étirables", 1963-1964 et "Laine ou surtout laine" et "Autres", 1965. Ne comprend pas les expéditions de l'Industrie des bas et chaussettes, 1963-1965

(b) Preliminary - provisoire

(c) Tariff Board survey - Relevé de la Commission du tarif

(d) Duty-paid value plus 32% - Valeur des droits à payer, plus 32%

Source: Various D.B.S. publications - Diverses publications du B.F.S.

Table 4
Tableau 4

Woollen Sweaters - Apparent Canadian Market, 1961-69
Chandails de laine - Marché canadien apparent, 1961-69

	1961	1962	1963	1964	1965	1966	1967	1968	1969
			thousand dozen - milliers de douzaines						
<u>Imports</u>									
United Kingdom	55.3	58.9	54.7	55.5	62.2	63.6	56.8	62.3	54.2
Italy	12.6	14.1	62.2	62.9	57.1	69.9	30.4	48.3	27.1
Hungary	-	-	-	-	-	2.2	1.2	3.0	0.3
Poland	*	0.6	4.2	7.2	10.4	5.8	4.4	1.6	1.6
Roumania	-	-	-	-	-	-	0.2	-	-
Hong Kong	0.2	1.9	2.4	6.3	29.4	60.0	43.8	100.8	113.7
People's Republic of China	-	-	-	-	-	2.9	7.1	13.7	5.6
Japan	5.3	2.2	2.4	1.8	3.7	13.5	8.9	6.6	11.6
Korea, South	-	-	-	-	-	-	1.0	-	0.3
Taiwan	-	-	-	1.7	1.4	4.4	9.9	12.8	8.8
United States	2.2	2.9	3.1	3.8	3.3	2.9	2.0	1.7	1.9
Others	10.9	11.4	12.3	11.6	11.2	12.3	16.3	16.4	16.4
Total	86.5	91.9	141.3	150.9	178.8	237.4	182.0	267.2	241.5
<u>Shipments (a)</u>	282.0	307.0	383.5	377.8	342.1	348.2	280.4	316.0(b)	252.0(c)
<u>Exports</u>	..	..	..	..	..	..	..	..	..
<u>Market</u>	<u>368.5</u>	<u>398.9</u>	<u>524.8</u>	<u>528.7</u>	<u>520.9</u>	<u>585.6</u>	<u>462.4</u>	<u>583.2</u>	<u>493.5</u>
% Imports of Market	23.5	23.0	26.9	28.5	34.3	40.5	39.5	45.9	48.9
<u>Importations</u>									
Royaume-Uni									54.2
Italie									27.1
Hongrie									0.3
Pologne									1.6
Roumanie									-
Hong-Kong									113.7
République populaire de Chine									5.6
Japon									11.6
Corée du Sud									0.3
Taiwan									8.8
Etats-Unis									1.9
Autres pays									16.4
Total									241.5
<u>Expéditions a)</u>									252.0(c)
<u>Exportations</u>									..
<u>Marché</u>									493.5
<u>Importations en % du marché</u>									48.9

Table 4 (Cont'd)
Tableau 4 (Suite)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dollars - milliers de dollars								
Imports (d)									
United Kingdom	4,542.8	5,255.6	4,842.4	5,166.3	5,909.0	6,063.9	5,641.9	5,508.0	5,140.8
Italy	974.7	1,278.4	5,908.0	5,655.5	4,320.8	4,541.4	2,584.1	4,057.5	2,398.2
Hungary	-	-	-	-	-	61.5	16.4	140.7	13.4
Poland	0.9	22.6	172.4	290.1	407.8	203.2	244.2	90.4	72.7
Roumania	-	-	-	-	-	-	4.9	-	-
Hong Kong	31.7	258.0	327.0	576.8	2,503.6	3,754.1	2,856.4	6,124.9	7,470.1
People's Republic of China	-	-	-	-	-	118.3	366.3	724.5	317.8
Japan	261.5	146.3	163.3	159.7	260.4	555.7	381.9	354.2	544.7
Korea, South	-	-	-	-	-	-	19.3	-	15.2
Taiwan	-	-	-	22.3	73.9	227.4	560.8	678.4	622.3
United States	292.9	358.9	369.9	402.0	345.7	321.0	242.2	152.4	116.0
Others	1,228.6	1,358.1	1,528.7	1,492.1	1,465.7	1,560.4	1,884.6	1,736.4	1,674.4
Total	7,333.0	8,678.0	13,311.8	13,764.9	15,287.0	17,406.9	14,802.9	19,567.3	18,385.5
Shipments (a)	13,973.0	16,427.0	20,712.0	21,719.0	23,578.0	25,682.0	20,398.0	24,539.0	21,226.0
	(b) Expéditions (c)								
Exports	..	..	..	..	..	..	..	..	..
Market	<u>21,306.0</u>	<u>25,105.0</u>	<u>34,023.8</u>	<u>35,483.9</u>	<u>38,865.0</u>	<u>43,088.9</u>	<u>35,200.9</u>	<u>44,106.3</u>	<u>39,611.5</u>
% Imports of Market	34.4	34.6	39.1	38.8	39.3	40.4	42.1	44.4	46.6
	Importations en % du marché								

Table 4 (Concl'd)
Tableau 4 (Fin)[illegible]

(a) Excludes Children's sweater shipments for "Wool or chiefly wool", 1965. Excludes shipments by Hosiery Mills, 1963-65

a) Ne comprend pas les expéditions des chandails d'enfant de "Laine ou surtout laine", 1965. Ne comprend pas les expéditions de l'Industrie de bas et chaussettes, 1963-1965

(b) Preliminary - provisoire

(c) Tariff Board survey - Relevé de la Commission du tarif

(d) Duty-paid value plus 32% - Valeur des droits à payer, plus 32%

Source: Various D.B.S. publications - Diverses publications du B.F.S.

Table 5
Tableau 5

Other-than-Wool Sweaters - Apparent Canadian Market, 1961-69
Chandails de divers filés, à l'exclusion de la laine - Marché canadien apparent, 1961-69

	1961	1962	1963	1964	1965	1966	1967	1968	1969
	thousand dozen - milliers de douzaines								
Imports									
United Kingdom	5.6	3.4	4.7	6.1	3.7	5.3	5.9	11.5	13.0
Italy	1.3	1.5	1.3	2.9	7.4	13.6	9.9	19.7	12.9
Hungary	-	-	-	-	*	14.4	41.9	51.9	44.9
Poland	-	-	-	1.0	1.0	1.6	7.7	12.0	12.4
Roumania	-	-	-	-	-	-	2.5	8.2	29.1
Hong Kong	2.8	0.3	4.9	0.2	8.6	53.0	89.3	104.9	113.2
People's Republic of China	-	-	-	-	-	14.8	56.4	52.4	73.9
Japan	6.7	5.2	5.1	11.6	38.1	152.8	89.0	103.8	107.5
Korea, South	-	-	-	-	0.2	0.4	60.3	210.4	221.3
Taiwan	-	-	-	2.3	18.5	35.8	71.7	164.3	316.4
United States	9.1	6.3	3.8	3.1	5.0	6.4	3.8	3.4	3.5
Others	13.2	8.2	6.1	8.0	16.9	15.6	21.1	24.5	15.2
Total	38.8	24.8	25.9	35.1	99.4	313.8	459.4	767.0	963.4
Shipments (a)	1,137.5	1,080.8	1,054.3	1,205.9	1,524.8	1,497.6	1,421.9	1,500.0 (b)	1,316.0 (c)
Exports	...	..	..	..	..	..	..	..	..
Market	1,176.3	1,105.6	1,080.3	1,241.0	1,624.2	1,811.3	1,881.3	2,267.0	2,279.4
% Imports of Market	3.3	2.2	2.4	2.8	6.1	17.3	24.4	33.8	42.3
Importations en % du marché									
Imports-Uni									
Royaume-Uni									
Italie									
Hongrie									
Pologne									
Roumanie									
Hong-Kong									
République populaire de Chine									
Japon									
Corée du Sud									
Taiwan									
Etats-Unis									
Autres pays									
Total									
Expéditions (a)									
Exportations									
Marché									

Table 5 (Cont'd)
Tableau 5 (Suite)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dollars - milliers de dollars								
<u>Imports (a)</u>									
United Kingdom	188.7	139.2	216.3	254.5	151.6	240.0	310.7	452.2	679.0
Italy	69.4	67.6	100.2	230.6	400.5	647.0	601.1	1,061.9	744.8
Hungary	-	-	-	-	1.4	130.2	359.4	633.3	926.2
Poland	-	-	-	6.3	8.4	101.7	187.2	350.2	209.7
Roumania	-	-	-	-	-	-	76.0	182.7	571.5
Hong Kong	25.3	11.3	57.2	8.0	254.1	1,167.9	2,732.9	3,414.8	3,186.2
People's Republic of China	-	-	-	-	-	527.2	1,443.0	1,431.6	1,977.4
Japan	94.8	84.7	113.6	464.5	1,906.9	3,671.9	2,576.2	3,041.2	3,294.8
Korea, South	-	-	-	-	9.4	17.1	1,862.0	6,098.2	5,516.1
Taiwan	-	-	-	52.2	430.9	845.9	1,573.9	4,268.6	7,216.2
United States	613.7	546.2	201.0	187.8	201.9	279.3	270.7	186.8	164.0
Others	226.8	243.4	251.0	328.3	610.4	566.4	847.3	921.6	670.6
Total	1,218.7	1,092.4	939.3	1,532.2	3,975.4	8,194.7	12,840.4	22,042.8	25,156.5
<u>Shipments (a)</u>	38,857.5	36,558.0	35,797.0	41,111.0	51,150.0	53,814.0	56,793.0	59,475.0 ^(b)	54,115.0 ^(c)
<u>Exports</u>	..	..	..	..	..	..	..	..	..
<u>Market</u>	<u>40,076.2</u>	<u>37,650.4</u>	<u>36,736.3</u>	<u>42,643.2</u>	<u>55,125.4</u>	<u>62,008.7</u>	<u>69,633.4</u>	<u>81,517.8</u>	<u>79,271.5</u>
% Imports of Market	3.0	2.9	2.6	3.6	7.2	13.2	18.4	27.0	31.7
	Importations en % du marché								

Table 5 (Concl'd)
Tableau 5 (Fin)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
			dollars	per dozen	-	dollars	la douzaine		
<u>Imports (d)</u>									
United Kingdom	33.76	40.86	46.06	41.57	40.55	45.68	52.24	39.20	52.31
Italy	52.05	46.33	74.39	80.27	54.09	47.43	60.70	54.01	57.78
Hungary	-	-	-	-	171.63	9.05	8.59	12.21	20.62
Poland	-	-	-	6.27	8.40	65.16	24.36	29.06	16.90
Roumania	-	-	-	-	-	-	30.49	22.18	19.61
Hong Kong	8.97	45.17	11.55	40.62	29.39	22.02	30.60	32.56	28.15
People's Republic of China	-	-	-	-	-	-	-	-	-
Japan	14.17	16.42	22.41	40.16	49.99	35.63	25.59	27.33	26.75
Korea, South	-	-	-	-	55.10	24.02	28.96	29.29	30.66
Taiwan	-	-	-	22.75	23.34	39.61	30.89	28.98	24.92
United States	67.13	86.59	53.33	60.07	40.53	23.63	21.94	25.98	22.81
Others	17.20	29.57	41.12	41.27	36.16	43.92	71.92	55.69	46.78
Total	<u>31.44</u>	<u>44.03</u>	<u>36.21</u>	<u>43.60</u>	<u>39.98</u>	<u>26.12</u>	<u>27.95</u>	<u>37.65</u>	<u>43.98</u>
Shipments (a)	34.16	33.82	33.95	34.09	33.55	35.93	39.94	39.65(b)	41.12(c)
<u>Exports</u>	..	..	..	..	..	..	..	..	..
Market	<u>34.07</u>	<u>34.05</u>	<u>34.01</u>	<u>34.36</u>	<u>33.94</u>	<u>34.23</u>	<u>37.01</u>	<u>35.96</u>	<u>34.78</u>
<u>Importations d)</u>									
Royaume-Uni									
Italie									
Hongrie									
Pologne									
Roumanie									
Hong-Kong									
République populaire de Chine									
Japon									
Corée du Sud									
Taiwan									
Etats-Unis									
Autres pays									
Total									
Expéditions a)									

(a) Excludes children's sweater shipments for "Stretch and textured filament yarns", 1963-64 and "Other", 1965.

Excludes shipments by Hosiery Mills, 1963-65

a) Ne comprend pas les expéditions de chandails d'enfant "Filés de filaments traités et étirables", 1963-64 et "Autres", 1965. Ne comprend pas les expéditions de l'Industrie des bas et chaussettes, 1963-1965

(b) Preliminary - Provisoire

(c) Tariff Board Survey - Relevé de la Commission du tarif

(d) Duty-paid value plus 32% - Valeur des droits à payer, plus 32%

Source: Various D.B.S. publications - Diverses publications du B.F.S.

Table 6
Tableau 6

Man-Made Fibre Sweaters - Apparent Canadian Market, 1961-69
Chandails de fibre synthétiques - Marché canadien apparent, 1961-69

1961 1962 1963 1964 1965 1966 1967 1968 1969
thousand dozen - milliers de douzaines

Imports	1961	1962	1963	1964	1965	1966	1967	1968	1969	Importations
United Kingdom	1.5	1.0	1.8	2.1	1.4	2.9	3.3	4.1	8.4	Royaume-Uni
Italy	0.5	0.4	0.4	1.3	6.0	8.2	6.0	15.7	10.2	Italie
Hungary	-	-	-	-	-	1.9	11.6	14.7	35.1	Hongrie
Poland	-	-	-	-	-	-	-	2.2	4.3	Pologne
Roumania	-	-	-	-	-	-	2.0	5.8	15.5	Roumanie
Hong Kong	-	-	-	-	4.6	26.6	69.0	99.4	105.4	Hong-Kong
People's Republic of China	-	-	-	-	-	14.8	51.8	51.8	72.6	République popu- laire de Chine
Japan	1.6	2.3	3.3	8.7	35.9	145.3	75.5	101.1	104.7	Japon
Korea, South	-	-	-	-	0.2	0.4	60.3	205.4	219.6	Corée du Sud
Taiwan	-	-	-	1.4	15.0	35.2	65.4	159.2	309.6	Taiwan
United States	7.6	5.3	2.9	1.9	2.9	5.2	2.5	2.5	2.3	Etats-Unis
Others	1.3	2.3	2.6	2.9	12.5	9.7	10.3	13.5	8.8	Autres pays
Total	12.4	11.3	10.9	18.3	78.5	250.3	357.6	675.5	896.5	Total
Shipments	686.6	643.7	622.9	795.1	1,071.0	1,011.2	932.7	962.0(b)	823.0(c)	Expéditions
"Orlon" acrylic fibre, and mixtures										Fibres "Orlon" acrilique et mélanges
Stretch and textured filament yarns (a)	378.3	352.2	330.0	306.0	374.8	327.4	397.5	..	..	Filés de filaments tricotés et étirables(a)
Total	1,064.8	995.9	952.9	1,101.1	1,445.8	1,338.6	1,330.2	..	..	Total
Exports	..	..	..	..	..	..	..	..	..	Exportations
Market	1,077.2	1,007.2	963.8	1,119.4	1,524.3	1,588.9	1,687.8	..	..	Marché
% Imports of Market	1.2	1.1	1.1	1.6	5.1	15.8	21.2	..	..	Importations en % du marché

Table 6 (Cont'd)
Tableau 6 (Fin)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	dollars per dozen - dollars la douzaine								
<u>Imports (d)</u>									
United Kingdom	47.37	57.48	55.78	61.82	53.46	55.98	62.53	51.49	58.12
Italy	30.72	54.43	73.14	75.07	51.77	48.68	68.30	50.40	54.26
Hungary	-	-	-	-	-	29.12	13.18	27.10	24.31
Poland	-	-	-	-	-	-	-	26.04	24.34
Roumania	-	-	-	-	-	-	28.54	26.39	29.08
Hong Kong	-	-	-	-	-	34.83	36.51	33.65	29.12
People's Republic of China	-	-	-	-	43.31	-	-	-	-
Japan	35.61	28.08	28.86	43.18	-	35.63	26.27	27.00	26.77
Korea, South	-	-	-	-	51.85	24.33	31.81	29.71	31.01
Taiwan	-	-	-	22.34	55.10	39.61	30.89	28.96	24.97
United States	70.99	93.44	46.29	67.44	25.11	23.66	22.51	26.59	23.14
Others	47.35	41.70	51.00	64.72	42.92	41.89	61.63	53.02	48.55
Total	59.64	64.83	44.65	52.06	42.98	27.96	30.73	47.69	52.83
								30.08	26.70
<u>Shipments</u>									
"Orlon" acrylic fibre and mixtures	34.02	34.02	36.37	36.66	34.42	36.27	42.13	41.90 ^(b)	44.87 ^(c)
Stretch and textured filament yarn (a)									
Total	34.61	32.91	31.80	31.61	31.96	33.68	34.09	-	-
	34.23	33.63	34.79	35.25	33.79	35.64	39.73	-	-
<u>Exports</u>									
Market	34.52	33.98	34.90	35.53	34.26	34.43	37.82	-	-
								-	-

(a) Excludes children's sweater shipments for "Stretch and textured filament yarns", 1963-64; excludes shipments by Hosiery Mills, 1963-65

(b) Ne comprend pas les expéditions de chandails d'enfant "Filés de filaments traités et étirables, 1963-1964; ne comprend pas les expéditions de l'industrie de bas et chaussettes, 1963-1965

(c) Preliminary - provisoire

(d) Tariff Board survey - Relevé de la Commission du tarif

(e) Duty-paid value plus 32% - Valeur des droits à payer, plus 32%

Source: Various D.B.S. publications - Diverses publications du B.F.S.

Table 7
Tableau 7

Imports: Sweaters and cardigans, knitted, wool, men's
and boys' s.c. 784-70(a) (formerly s.c. 3944)
Importations: Chandails et cardigans de laine, tricotés, d'hommes
et de garçonnets c.s. 784-70(a) (auparavant c.s. 3944)

Tariff Item)
) 56805-1
Numéro tarifaire)

Year	Total imports		Unit value	Dutiable value	Duty collected	Duty as % of dutiable value
Année	Importations totales		Valeur à l'unité	Valeur imposable	Droits perçus	Droits en % de la valeur imposable
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1962	306	1,455	4.76	1,455	475	32.7
1963	360	1,791	4.97	1,791	493	27.6
1964	582	2,782	4.78	2,782	748	26.9
1965	661	3,097	4.69	3,097	832	26.9
1966	864	3,574	4.14	3,573	1,006	28.1
1967	788	3,450	4.38	3,450	960	27.8
1968	1,219	4,780	3.92	4,779	1,351	28.3
1969	1,324	5,399	4.08	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1962	155	826	5.31	826	209	25.3
1963	146	853	5.84	853	160	18.7
1964	204	1,288	6.31	1,288	231	18.0
1965	216	1,447	6.69	1,447	260	18.0
1966	210	1,352	6.45	1,352	244	18.1
1967	207	1,323	6.38	1,323	238	18.0
1968	259	1,439	5.55	1,438	260	18.1
1969	245	1,421	5.81	..	..	..
<u>Italy - Italie</u>						
1962	69	218	3.18	218	94	43.2
1963	80	379	4.75	379	134	35.5
1964	188	777	4.13	777	271	34.9
1965	195	771	3.95	771	269	34.9
1966	230	839	3.64	839	292	34.8
1967	147	633	4.30	633	221	34.9
1968	206	914	4.43	914	306	33.5
1969	166	760	4.58	..	..	..

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Hungary - Hongrie</u>						
1962-65	-	-	-	-	-	-
1966	6	10	1.77	10	4	35.0
1967	-	-	-	-	-	-
1968	31	72	2.32	72	24	32.9
1969	2	4	1.67	..	..	..
<u>Poland - Pologne</u>						
1962	7	12	1.65	12	5	43.3
1963	43	77	1.79	77	28	36.2
1964	87	163	1.88	163	57	34.7
1965	125	229	1.83	229	80	34.6
1966	69	114	1.65	114	40	34.7
1967	53	137	2.58	137	48	34.6
1968	19	51	2.71	51	17	33.4
1969	19	43	2.21	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1962	-	-	-	-	-	-
1963	1	6	4.65	6	2	34.9
1964	10	30	2.90	30	10	34.5
1965	30	112	3.72	112	39	34.9
1966	208	580	2.80	580	201	34.6
1967	153	476	3.12	476	165	34.6
1968	424	1,225	2.89	1,225	409	33.4
1969	637	2,096	3.29	..	..	..
<u>People's Republic of China - République populaire de Chine</u>						
1962-65	-	-	-	-	-	-
1966	17	47	2.75	47	16	34.3
1967	57	137	2.43	137	47	34.1
1968	92	259	2.83	259	86	33.0
1969	60	167	2.78	..	..	..

Table 7 (Concl'd)
Tableau 7 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Japan - Japon</u>						
1962	3	9	3.42	9	4	41.5
1963	5	14	2.97	14	4	32.9
1964	1	3	3.09	3	1	34.5
1965	3	8	3.15	8	3	34.8
1966	10	30	3.10	30	10	35.0
1967	6	19	3.15	19	7	34.8
1968	8	15	1.76	15	5	33.3
1969	2	11	5.00	..	..	..
<u>Taiwan - Taiwan</u>						
1962-64	-	-	-	-	-	-
1965	12	31	2.51	31	11	34.8
1966	26	84	3.27	84	29	34.9
1967	42	129	3.06	129	45	34.6
1968	60	217	3.62	217	72	33.2
1969	52	197	3.79	..	..	..

(a) In 1961 included in "Sweaters and cardigans, knitted, wool" s.c. 3941
Prior to 1961 included in "Clothing, wool, knitted, men's
and boys' n.o.p.", s.c. 3329

a) En 1961 compris dans "Chandails et cardigans de laine, tricotés"
c.s. 3941
Avant 1961 compris dans "Vêtements, laine, tricotés, hommes
et garçons, n.d.a.", c.s. 3329

Table 8
Tableau 8

Imports: Sweaters and cardigans knitted, wool, women's
and girls' s.c. 784-71(a) (formerly s.c. 3945)

Importations: Chandails et cardigans de laine, tricotés, de femmes et
de fillettes c.s. 784-71a) (auparavant c.s. 3945)

Tariff Items:) and
) 56805-1 56810-1
Numéros tarifaires:) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No. Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1962	737	3,449	4.68	3,443	1,024	29.7
1963	1,278	5,880	4.60	5,880	1,735	29.5
1964	1,142	5,186	4.54	5,186	1,465	28.2
1965	1,423	5,844	4.11	5,842	1,641	28.1
1966	1,887	6,538	3.46	6,533	1,837	28.1
1967	1,302	5,190	3.98	5,180	1,407	27.2
1968	1,938	6,684	3.45	6,678	1,899	28.4
1969	1,539	5,670	3.69	..	..	..

United Kingdom - Royaume-Uni

1962	515	2,290	4.45	2,290	548	23.9
1963	480	2,145	4.47	2,145	417	19.5
1964	437	1,963	4.50	1,963	353	18.0
1965	515	2,308	4.48	2,306	415	18.0
1966	543	2,511	4.63	2,506	451	18.0
1967	468	2,281	4.88	2,272	409	18.0
1968	478	2,075	4.34	2,068	372	18.0
1969	402	1,870	4.65	..	..	..

Italy - Italie

1962	98	458	4.67	458	190	41.4
1963	658	2,898	4.40	2,898	1,027	35.4
1964	549	2,343	4.27	2,343	814	34.7
1965	463	1,602	3.46	1,602	557	34.8
1966	566	1,632	2.88	1,632	566	34.7
1967	185	763	4.12	763	264	34.6
1968	368	1,378	3.75	1,378	460	33.4
1969	158	650	4.11	..	..	..

Table 8 (Cont'd)
Tableau 8 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Hungary - Hongrie</u>						
1962-65	-	-	-	-	-	-
1966	8	5	.70	5	2	35.0
1967	11	9	.78	9	3	34.6
1968	5	8	1.50	8	3	33.5
1969	1	4	3.47	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1962	22	137	6.12	137	58	42.5
1963	28	178	6.40	178	61	34.1
1964	65	295	4.51	295	101	34.1
1965	322	1,291	4.01	1,291	450	34.8
1966	506	1,523	3.01	1,523	526	34.5
1967	367	1,119	3.05	1,119	389	34.8
1968	775	2,238	2.89	2,238	746	33.3
1969	717	2,290	3.19	..	..	..
<u>People's Republic of China - République populaire de Chine</u>						
1962-65	-	-	-	-	-	-
1966	17	20	1.14	20	7	35.0
1967	26	67	2.51	67	23	34.2
1968	72	153	2.12	153	51	33.0
1969	7	21	3.22	..	..	..
<u>Japan - Japon</u>						
1962	24	69	2.87	69	29	42.2
1963	24	79	3.32	79	27	33.8
1964	21	87	4.17	87	30	34.5
1965	42	138	3.29	138	48	34.9
1966	149	280	1.88	280	97	34.7
1967	100	196	1.96	196	67	34.3
1968	71	187	2.65	187	62	33.2
1969	137	307	2.24	..	..	..

Table 8 (Concl'd)

Tableau 8 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Taiwan - Taiwan</u>						
1962-64	-	-	-	-	-	-
1965	4	10	2.81	10	3	34.9
1966	19	35	1.79	35	12	34.8
1967	51	150	2.92	150	52	34.9
1968	80	151	1.90	151	50	33.3
1969	49	164	3.33	..	..	..
<u>United States - Etats-Unis</u>						
1962	28	154	5.54	148	60	40.5
1963	27	157	5.72	157	55	35.3
1964	24	127	5.37	127	44	34.6
1965	29	144	4.91	144	50	34.6
1966	23	116	5.11	116	40	34.8
1967	19	96	5.06	96	33	34.9
1968	15	61	4.08	61	20	33.3
1969	9	39	4.45	..	..	..

(a) In 1961 included in "Sweaters and cardigans, knitted, wool" s.c. 3941
Prior to 1961 included in "Clothing, wool, knitted, women's and girls", n.o.p.", s.c. 3328

a) En 1961 compris dans "Chandails et cardigans de laine, tricotés" c.s. 3941
Avant 1961 compris dans "Vêtements, laine, tricotés, femmes et filles, n.d.a.", c.s. 3328

Table 9
Tableau 9

Imports: Sweaters and cardigans, knitted, wool, children's
and infants' s.c. 784-72^(a) (formerly s.c. 3946)
Importations: Chandails et cardigans de laine, tricotés, d'enfants
et de bébés c.s. 784-72^a) (auparavant c.s. 3946)

Tariff Item)
)56805-1
Numéro tarifaire)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1962	60	131	2.17	131	40	30.6
1963	57	146	2.58	146	39	26.7
1964	86	193	2.25	193	55	28.7
1965	61	130	2.13	130	38	29.5
1966	97	177	1.83	177	56	31.8
1967	94	156	1.67	156	51	32.7
1968	49	85	1.73	85	25	29.0
1969	36	57	1.59	..	..	..

United Kingdom - Royaume-Uni

1962	37	87	2.36	87	22	25.2
1963	29	78	2.65	78	15	18.8
1964	25	67	2.65	67	12	18.1
1965	15	40	2.71	40	7	18.3
1966	11	30	2.66	30	5	17.9
1967	6	20	3.03	20	4	17.9
1968	11	23	2.21	23	4	17.9
1969	4	11	2.89	..	..	..

Italy - Italie

1962	2	5	2.79	5	2	41.1
1963	9	28	3.25	28	10	35.3
1964	18	59	3.33	59	20	34.6
1965	27	54	1.98	54	19	34.9
1966	42	82	1.93	82	29	35.0
1967	32	57	1.80	57	20	35.0
1968	6	12	2.04	12	4	33.3
1969	2	3	1.76	..	..	..

Table 9 (Concl'd)
Tableau 9 (Fin)

<u>Year</u>	<u>Total imports</u>	<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>	<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.				
	Nomb.				
	'000	\$'000	\$	\$'000	\$'000

Hong Kong - Hong-Kong

1962-63	-	-	-	-	-
1964	*	*	1.92	*	34.8
1965	1	4	3.54	4	35.0
1966	7	10	1.56	10	34.8
1967	5	11	2.17	11	35.0
1968	11	16	1.50	16	33.3
1969	11	15	1.42	..	..

Taiwan - Taiwan

1962-63	-	-	-	-	-
1964	20	13	.62	13	34.5
1965	1	1	1.13	1	34.6
1966	7	9	1.26	9	35.0
1967	26	36	1.42	36	34.7
1968	14	18	1.28	18	32.9
1969	4	7	1.62	..	..

(a) In 1961 included in "Sweaters and cardigans, knitted, wool" s.c. 3941.
Prior to 1961 included in "Clothing, wool, knitted, infants' and children's n.o.p.," s.c. 3327

a) En 1961 compris dans "Chandails et cardigans de laine, tricotés" c.s. 3941
Avant 1961 compris dans "Vêtements, laine, tricotés, bébés et enfants, n.d.a.," c.s. 3327

Table 10
Tableau 10

Imports: Sweaters and cardigans, knitted, synthetic fibres
s.c. 784-78(a) (formerly s.c. 3942)

Importations: Chandails et cardigans, tricotés, de fibres synthétiques
c.s. 784-78a) (auparavant c.s. 3942)

Tariff Item)
) 56805-1
Numéro tarifaire)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1961	148	420	2.83	420	139	33.2
1962	136	400	2.95	391	155	39.7
1963	131	277	2.11	277	92	33.4
1964	219	546	2.49	546	175	32.1
1965	941	1,902	2.02	1,902	652	34.3
1966	3,004	3,946	1.31	3,946	1,356	34.4
1967	4,291	6,206	1.45	6,186	2,118	34.2
1968	8,106	11,584	1.43	11,584	3,812	32.9
1969	10,758	14,141	1.31	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1961	18	45	2.53	45	8	18.0
1962	12	36	2.95	36	8	23.2
1963	22	64	2.96	64	12	19.0
1964	25	84	3.31	84	15	18.0
1965	17	49	2.86	49	9	17.9
1966	34	103	2.99	103	19	18.0
1967	39	131	3.35	131	23	17.9
1968	49	136	2.76	136	24	18.0
1969	101	315	3.11	..	..	..
<u>Italy - Italie</u>						
1961	6	9	1.44	9	3	35.0
1962	5	12	2.40	12	5	43.3
1963	4	15	3.39	15	5	36.0
1964	16	56	3.51	56	20	34.9
1965	72	173	2.42	173	61	35.0
1966	99	225	2.28	225	79	35.0
1967	72	230	3.19	230	80	35.0
1968	188	448	2.38	448	150	33.5
1969	122	325	2.66	..	..	..

Table 10 (Cont'd)
Tableau 10 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Hungary - Hongrie</u>						
1961-65	-	-	-	-	-	-
1966	22	31	1.37	31	11	34.5
1967	139	86	.62	86	30	34.3
1968	176	226	1.28	226	75	33.2
1969	421	502	1.19	..	..	..
<u>Roumania - Roumanie</u>						
1961-66	-	-	-	-	-	-
1967	24	27	1.16	27	15	55.0
1968	70	86	1.22	86	31	36.6
1969	187	268	1.44	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1961-64	-	-	-	-	-	-
1965	55	111	2.03	111	38	34.5
1966	319	520	1.63	520	182	35.0
1967	828	1,418	1.71	1,418	491	34.6
1968	1,193	1,904	1.60	1,904	631	33.1
1969	1,265	1,801	1.42	..	..	..
<u>People's Republic of China - République populaire de Chine</u>						
1961-65	-	-	-	-	-	-
1966	178	297	1.67	297	103	34.6
1967	621	769	1.24	769	261	34.0
1968	622	799	1.29	799	261	32.7
1969	871	1,145	1.31	..	..	..
<u>Japan - Japon</u>						
1961	19	31	1.66	31	11	35.0
1962	28	36	1.28	36	14	38.7
1963	39	52	1.34	52	19	36.3
1964	104	211	2.11	211	73	34.6
1965	431	1,048	2.43	1,048	363	34.6
1966	1,744	1,986	1.14	1,986	692	34.9
1967	906	1,357	1.50	1,337	463	34.7
1968	1,214	1,709	1.41	1,709	567	33.2
1969	1,257	1,904	1.52	..	..	..

Table 10 (Concl'd)
Tableau 10 (Fin),

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u> Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Korea, South - Corée du Sud</u>						
1961-64	-	-	-	-	-	-
1965	2	5	2.28	5	2	52.4
1966	5	8	1.61	8	5	55.5
1967	723	1,049	1.45	1,049	362	34.5
1968	2,465	3,390	1.38	3,390	1,116	32.9
1969	2,635	3,236	1.23	..	..	..
<u>Taiwan - Taïwan</u>						
1961-63	-	-	-	-	-	-
1964	16	17	1.05	17	6	34.6
1965	180	212	1.18	212	74	34.8
1966	423	470	1.11	470	161	34.3
1967	784	827	1.05	827	287	34.8
1968	1,910	2,409	1.26	2,409	798	33.1
1969	3,715	4,245	1.14	..	..	..
<u>United States - Etats-Unis</u>						
1961	91	301	3.32	301	105	35.0
1962	63	265	4.20	256	107	41.8
1963	35	74	2.11	74	28	38.5
1964	23	73	3.16	73	25	34.6
1965	35	71	2.01	71	25	34.7
1966	63	122	1.96	122	43	35.0
1967	31	88	2.89	88	31	34.8
1968	31	77	2.51	77	26	33.5
1969	27	64	2.37	..	..	..

(a) Prior to 1961 included in various statistical classes

a) Avant 1961 compris dans diverses classes statistiques

Imports: Sweaters and cardigans, knitted, man-made fibres, men's and boys' s.c. 784-75(a)

Importations: Chandails et cardigans, tricotés, en fibres synthétiques et artificielles, pour hommes et garçons c.s. 784-75^a)

Tariff item:)
Numéro tarifaire:) 56805-1

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1969	3,135	4,073	1.30	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1969	54	173	3.18	..	..	..
<u>Italy - Italie</u>						
1969	52	140	2.71	..	..	..
<u>Hungary - Hongrie</u>						
1969	421	502	1.19	..	..	..
<u>Roumania - Roumanie</u>						
1969	139	212	1.53	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1969	215	269	1.25	..	..	..
<u>People's Republic of China - République populaire de Chine</u>						
1969	51	81	1.58	..	..	..

Table 11 (Concl'd)
Tableau 11 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Japan - Japon</u>						
1969	114	143	1.25	..	..	..
<u>Korea, South - Corée du Sud</u>						
1969	1,139	1,296	1.14	..	..	..
<u>Taiwan - Taiwan</u>						
1969	857	1,076	1.26	..	..	..
<u>United States - Etats-Unis</u>						
1969	3	24	8.06	..	..	..

(a) Prior to 1969 included in "Sweaters and cardigans, knitted, synthetic fibres" s.c. 784-78

a) Avant 1969 compris dans "Chandails et cardigans, tricotés, de fibres synthétiques" c.s. 784-78

Imports: Sweaters and cardigans, knitted, man-made fibres, women's and girls' s.c. 784-76(a)

Importations: Chandails et cardigans, tricotés, en fibres synthétiques et artificielles, pour dames et jeunes filles c.s. 784-76a)

Tariff item:)
) 56805-1

Numéro tarifaire:)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1969	6,135	8,808	1.44	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1969	34	108	3.18	..	..	..
<u>Italy - Italie</u>						
1969	64	166	2.59	..	..	..
<u>Roumania - Roumanie</u>						
1969	24	34	1.42	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1969	853	1,431	1.68	..	..	..
<u>People's Republic of China - République populaire de Chine</u>						
1969	631	894	1.42	..	..	..
<u>Japan - Japon</u>						
1969	1,037	1,678	1.62	..	..	..

Table 12 (Concl'd)
Tableau 12 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Korea, South - Corée du Sud</u>						
1969	1,416	1,858	1.31	..	..	..
<u>Taiwan - Taiwan</u>						
1969	2,003	2,444	1.22	..	..	..
<u>United States - Etats-Unis</u>						
1969	22	40	1.81	..	..	..

(a) Prior to 1969 included in "Sweaters and cardigans, knitted, synthetic fibres" s.c. 784-78

a) Avant 1969 compris dans "Chandails et cardigans, tricotés, de fibres synthétiques" c.s. 784-78

Table 13
Tableau 13

Imports: Sweaters and cardigans, knitted, man-made fibres, children's and infants' s.c. 784-77(a)

Importations: Chandails et cardigans, tricotés, en fibres synthétiques et artificielles, pour enfants et bébés c.s. 784-77(a)

Tariff Item)
) 56805-1
Numéro tarifaire)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
	<u>Total - Total</u>					
1969	1,488	1,260	.85	..	..	..
	<u>United Kingdom - Royaume-Uni</u>					
1969	13	34	2.64	..	..	..
	<u>Italy - Italie</u>					
1969	7	19	2.60	..	..	..
	<u>Roumania - Roumanie</u>					
1969	24	22	.92	..	..	..
	<u>Hong Kong - Hong-Kong</u>					
1969	197	101	.51	..	..	..
	<u>People's Republic of China - République populaire de Chine</u>					
1969	189	170	.90	..	..	..
	<u>Japan - Japon</u>					
1969	106	83	.79	..	..	..

Table 13 (Concl'd)
Tableau 13 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u> Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Korea, South - Corée du Sud</u>						
1969	79	82	1.03	..	..	..
<u>Taiwan - Taiwan</u>						
1969	856	725	.85	..	..	..
<u>United States - Etats-Unis</u>						
1969	2	*	..	..	..	..

(a) Prior to 1969 included in "Sweaters and cardigans, knitted, synthetic fibres" s.c. 784-78

a) Avant 1969 compris dans "Chandails et cardigans, tricotés, de fibres synthétiques" c.s. 784-78

Table 14
Tableau 14Imports: Sweaters and cardigans, knitted n.e.s., s.c. 784-79(a)
(formerly s.c. 3943)Importations: Chandails et cardigans, tricotés n.d.a., c.s. 784-79^a)
(auparavant c.s. 3943)Tariff Item)
)56805-1
Numéro tarifaire)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
	<u>Total - Total</u>					
1961	317	280	.88	280	85	30.3
1962	162	202	1.25	202	70	34.5
1963	180	260	1.44	260	83	31.8
1964	202	336	1.66	336	103	30.7
1965	252	346	1.37	346	112	32.3
1966	761	678	.89	678	227	33.5
1967	1,222	1,049	.86	1,049	354	33.8
1968	1,097	997	.91	997	306	30.7
1969	803	724	.90	..	..	..

United Kingdom - Royaume-Uni

1961	49	76	1.54	76	14	18.0
1962	29	50	1.74	50	11	22.2
1963	35	74	2.12	74	14	19.0
1964	48	79	1.65	79	14	18.0
1965	28	48	1.74	48	9	18.0
1966	29	51	1.79	51	9	18.0
1967	32	68	2.12	68	12	18.1
1968	89	154	1.73	154	28	18.0
1969	54	112	2.06	..	..	..

Italy - Italie

1961	10	30	3.02	30	11	34.7
1962	12	24	1.96	24	9	38.1
1963	12	41	3.45	41	15	36.8
1964	18	73	3.97	73	26	34.9
1965	17	51	2.98	51	18	34.9
1966	65	138	2.13	138	48	35.0
1967	47	107	2.29	107	38	35.1
1968	48	155	3.22	155	52	33.4
1969	32	111	3.43	..	..	..

Table 14 (Cont'd)
Tableau 14 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Hungary - Hongrie</u>						
1961-64	-	-	-	-	-	-
1965	*	1	7.71	1	*	34.9
1966	150	42	.28	42	15	35.0
1967	363	116	.32	116	40	34.9
1968	446	134	.30	134	45	33.5
1969	118	42	.36	..	..	..
<u>Poland - Pologne</u>						
1961-63	-	-	-	-	-	-
1964	12	4	.29	4	1	35.0
1965	12	5	.39	5	2	34.9
1966	19	57	3.05	57	20	34.9
1967	92	105	1.14	105	37	34.7
1968	118	166	1.41	166	55	33.2
1969	98	63	.64	..	..	..
<u>Roumania - Roumanie</u>						
1961-66	-	-	-	-	-	-
1967	6	10	1.54	10	5	55.0
1968	29	16	.56	16	6	34.5
1969	163	69	.42	..	..	..
<u>Hong Kong - Hong-Kong</u>						
1961	34	14	.42	14	5	35.0
1962	3	6	2.03	6	2	40.4
1963	59	31	.53	31	12	37.8
1964	2	5	1.90	5	2	35.0
1965	49	32	.65	32	11	34.5
1966	317	136	.43	136	47	34.6
1967	244	120	.49	120	42	34.6
1968	66	40	.60	40	13	32.8
1969	93	68	.73	..	..	..

Table 14 (Cont'd)
Tableau 14 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	

People's Republic of China - République populaire de Chine

1961-66	-	-	-	-	-	-
1967	55	47	.85	47	16	33.9
1968	7	19	2.71	19	6	32.7
1969	16	20	1.27	..	..	..

Japan - Japon

1961	62	22	.36	22	8	35.0
1962	34	10	.31	10	4	37.6
1963	22	11	.50	11	4	37.2
1964	35	51	1.46	51	17	34.3
1965	27	25	.94	25	9	34.3
1966	90	76	.85	76	27	35.2
1967	161	98	.61	98	34	34.5
1968	32	21	.64	21	7	32.9
1969	33	28	.84	..	..	..

Korea, South - Corée du Sud

1961-67	-	-	-	-	-	-
1968	60	86	1.42	86	28	32.5
1969	21	19	.90	..	..	..

Taiwan - Taiwan

1961-63	-	-	-	-	-	-
1964	11	12	1.10	12	4	34.4
1965	41	30	.73	30	10	34.6
1966	7	7	1.01	7	2	35.0
1967	77	58	.77	58	20	34.4
1968	61	20	.33	20	7	33.4
1969	82	30	.37	..	..	..

Table 14 (Concl'd)
Tableau 14(Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valour à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>United States - Etats-Unis</u>						
1961	19	44	2.29	44	15	34.8
1962	13	30	2.37	30	12	39.5
1963	10	37	3.58	37	13	36.4
1964	15	33	2.27	33	12	34.9
1965	25	43	1.74	43	15	34.9
1966	14	34	2.48	34	12	35.0
1967	15	64	4.37	64	22	34.9
1968	10	29	3.03	29	10	33.4
1969	15	32	2.13	..	..	..

(a) Prior to 1961 included in various statistical classes

a) Avant 1961 compris dans diverses classes statistiques

Imports: Blouses, knitted (including shells and tops) s.c. 784-14^(a)Importations: Blouses tricotées (y compris corsages et hauts) c.s.
784-14^a)

Tariff items:) and
) 56805-1 56810-1
 Numérostarifaires:) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>Total - Total</u>						
1967	3,112	2,271	.73	2,271	785	34.6
1968	2,344	1,540	.66	1,540	503	32.7
1969	2,563	1,719	.67	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1967	*	3	5.31	3	*	17.9
1968	1	3	2.28	3	1	17.8
1969	3	19	6.00	..	..	..
<u>Italy - Italie</u>						
1967	22	62	2.75	62	21	34.4
1968	26	54	2.10	54	18	33.4
1969	17	43	2.49	..	..	..
<u>Hungary - Hongrie</u>						
1967	143	52	.36	52	18	34.6
1968	12	4	.29	4	1	33.5
1969	-	-	-	-	-	-
<u>Hong Kong - Hong-Kong</u>						
1967	723	464	.64	464	160	34.4
1968	476	300	.63	300	98	32.7
1969	495	293	.59	..	..	..

Table 15 (Concl'd)
Tableau 15 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u> Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	No.					
	Nomb.					
	'000	\$'000	\$	\$'000	\$'000	
<u>People's Republic of China - République populaire de Chine</u>						
1967	14	12	.89	12	4	34.3
1968	5	4	.84	4	1	32.1
1969	16	18	1.09	..	..	..
<u>Japan - Japon</u>						
1967	1,660	1,286	.77	1,286	446	34.7
1968	769	530	.69	530	176	33.2
1969	1,118	743	.66	..	..	..
<u>Korea, South - Corée du Sud</u>						
1967	46	40	.87	40	13	33.1
1968	348	261	.75	261	85	32.6
1969	152	112	.74	..	..	..
<u>Taiwan - Taiwan</u>						
1967	463	260	.56	260	90	34.6
1968	528	252	.48	252	84	33.4
1969	643	327	.51	..	..	..
<u>United States - Etats-Unis</u>						
1967	18	52	2.93	52	18	34.9
1968	15	36	2.41	36	12	33.3
1969	22	67	3.07	..	..	..

(a) Prior to 1967 included in "Outerwear, knitted n.e.s." s.c. 784-99

a) Avant 1967 compris dans "Vêtements de dessus, tricotés n.d.a." c.s. 784-99

Imports: Acrylic yarn s.c. 366-16(a)

Importations: Filés de fibres acryliques c.s. 366-16^a)

Tariff item)
) 56110-1
 Numéro tarifaire)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	lb.		\$/lb.			
	liv.		\$/liv.			
	'000	\$'000		\$'000	\$'000	
<u>Total - Total</u>						
1966	2,060	2,503	1.22	2,503	560	22.4
1967	2,348	2,733	1.16	2,733	613	22.4
1968	2,140	2,214	1.03	2,214	499	22.5
1969	3,476	3,418	.98	..	..	..
<u>United Kingdom - Royaume-Uni</u>						
1966	3	9	2.56	9	2	21.4
1967	7	18	2.60	18	4	19.8
1968	53	77	1.45	77	16	20.3
1969	117	205	1.75	..	..	..
<u>Japan - Japon</u>						
1966	1,645	1,863	1.13	1,863	419	22.5
1967	1,988	2,229	1.12	2,229	500	22.4
1968	1,635	1,524	.93	1,524	352	23.1
1969	2,745	2,428	.88	..	..	..
<u>United States - Etats-Unis</u>						
1966	405	617	1.52	617	136	22.1
1967	238	325	1.36	325	74	22.7
1968	297	390	1.31	390	84	21.6
1969	339	395	1.17	..	..	..

(a) Prior to 1966 included in "Synthetic fibre yarn n.e.s.", s.c. 366- 99

a) Avant 1966 compris dans "Fibres synthétiques n.d.a." c.s. 366-99

Table 17
Tableau 17

Imports: Rayon yarn, viscose or acetate, s.c. 366-19(a)

Importations: Filés de rayonne, viscose ou acetate, c.s. 366-19^a)

Tariff items:)
) 56105-1 and 56110-1
Numéros tarifaires:) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	lb.					
	liv.		\$/lb.			
	'000	\$'000	\$/liv.	\$'000	\$'000	
	<u>Total - Total</u>					
1964	3,044	3,109	1.02	3,009	759	25.2
1965	4,542	4,768	1.05	4,671	1,155	24.7
1966	3,835	3,743	.98	3,641	938	25.8
1967	4,330	4,154	.96	4,103	1,054	25.7
1968	5,288	4,690	.89	4,592	1,134	24.7
1969	6,409	5,596	.87	..	..	..
	<u>United Kingdom - Royaume-Uni</u>					
1964	94	100	1.06	100	21	21.2
1965	191	181	.95	181	37	20.7
1966	102	96	.94	96	17	17.9
1967	138	118	.86	118	18	15.1
1968	299	220	.74	220	41	18.7
1969	877	625	.71	..	..	..
	<u>France - France</u>					
1964	111	226	2.03	226	51	22.8
1965	240	489	2.04	489	112	22.8
1966	283	309	1.09	278	66	23.9
1967	117	239	2.05	239	54	22.5
1968	169	329	1.94	329	69	21.0
1969	54	69	1.28	..	..	..
	<u>Italy - Italie</u>					
1964	110	135	1.23	135	31	23.1
1965	612	713	1.17	713	163	22.9
1966	413	492	1.19	492	111	22.5
1967	775	771	1.00	771	181	23.4
1968	1,039	920	.89	920	234	25.5
1969	582	525	.90	..	..	..

Table 17 (Concl'd)
Tableau 17 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	lb.					
	liv.		\$/lb.			
	'000	\$'000	\$/liv.	\$'000	\$'000	
<u>Netherlands - Pays-Bas</u>						
1964	292	249	.85	246	65	26.5
1965	505	424	.84	424	111	26.1
1966	537	494	.92	494	128	25.9
1967	545	509	.93	509	132	25.9
1968	827	767	.93	767	190	24.8
1969	788	731	.93	..	..	..
<u>Japan - Japon</u>						
1964	80	47	.59	45	17	37.6
1965	405	242	.60	240	90	37.7
1966	422	257	.61	255	97	37.9
1967	410	211	.52	209	92	43.8
1968	197	119	.60	119	41	34.5
1969	240	156	.65	..	..	..
<u>United States - Etats-Unis</u>						
1964	2,075	2,153	1.04	2,058	508	24.7
1965	2,138	2,330	1.09	2,235	538	24.1
1966	1,887	1,915	1.01	1,846	473	25.6
1967	2,128	2,161	1.02	2,112	526	24.9
1968	2,227	2,030	.91	1,932	448	23.2
1969	3,195	2,992	.94	..	..	..

(a) Prior to 1964 included in various statistical classes

a) Avant 1964 compris dans diverses classes statistiques

Table 18
Tableau 18

Imports: Nylon yarn s.c. 366-39(a)
 Importations: Filés de nylon c.s. 366-39a)

Tariff items) and
) 56105-1 56110-1
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	lb.					
	liv.		\$/liv.			
	'000	\$'000	\$/lb.	\$'000	\$'000	
<u>Total - Total</u>						
1964	5,535	9,930	1.79	9,869	2,193	22.2
1965	7,385	12,883	1.74	12,637	2,828	22.4
1966	4,614	7,587	1.64	7,481	1,675	22.4
1967	5,348	8,187	1.53	8,109	1,763	21.7
1968	8,148	12,082	1.48	12,003	2,523	21.0
1969	9,687	17,053	1.76	..	..	..

United Kingdom - Royaume-Uni

1964	24	61	2.52	61	9	15.5
1965	177	327	1.85	322	66	20.3
1966	202	329	1.62	329	67	20.3
1967	196	370	1.88	366	73	20.1
1968	437	668	1.53	667	130	19.5
1969	779	1,472	1.89	..	..	..

France - France

1964	17	41	2.36	41	9	22.5
1965	60	99	1.63	99	22	22.5
1966	34	68	2.01	68	15	22.5
1967	54	123	2.27	123	28	22.5
1968	242	465	1.92	465	99	21.3
1969	271	1,010	3.72	..	..	..

Germany, Federal Republic of - République Fédérale d'Allemagne

1964	11	21	1.93	21	5	21.7
1965	19	43	2.26	43	10	22.5
1966	95	160	1.69	160	36	22.5
1967	181	304	1.68	300	67	22.5
1968	332	587	1.77	587	124	21.1
1969	1,051	2,003	1.90	..	..	..

Table 18(Concl'd)
Tableau 18(Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valcur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	lb.		\$/lb.			
	liv.		\$/liv.			
	'000	\$'000		\$'000	\$'000	
<u>Italy - Italie</u>						
1964	1,869	3,229	1.73	3,229	721	22.3
1965	1,982	3,545	1.79	3,545	798	22.5
1966	527	924	1.75	924	210	22.7
1967	1,107	1,485	1.34	1,485	337	22.7
1968	1,763	2,054	1.17	2,054	460	22.4
1969	1,166	1,397	1.20	..	..	..
<u>Israel - Israël</u>						
1964	6	11	1.80	11	2	19.9
1965	28	55	1.99	55	12	22.5
1966	46	79	1.72	79	17	21.8
1967	124	187	1.50	187	42	22.5
1968	225	357	1.59	357	76	21.2
1969	517	1,075	2.08	..	..	..
<u>Japan - Japon</u>						
1964	12	24	1.97	24	5	22.3
1965	127	228	1.80	228	51	22.3
1966	73	110	1.51	110	25	22.5
1967	155	138	.89	138	26	18.6
1968	70	103	1.46	99	21	21.3
1969	6	12	2.02	..	..	..
<u>United States - Etats-Unis</u>						
1964	3,487	6,297	1.81	6,236	1,386	22.2
1965	4,595	7,867	1.71	7,626	1,713	22.5
1966	3,286	5,304	1.61	5,199	1,170	22.5
1967	3,061	4,865	1.59	4,795	1,035	21.6
1968	3,490	5,531	1.59	5,457	1,116	20.5
1969	3,630	5,561	1.53	..	..	..

(a) Prior to 1964 included in "Rovings, yarns, threads and warps of synthetic fibres produced from Polyamides/Nylons", s.c. 3368

a) Avant 1964 compris dans "Bourdinages, filés, filés et chaînes synthétiques fabriquées de Polyamides (Nylon)", c.s. 3368

Table 19
Tableau 19Exports and Re-Exports: Sweaters and cardigans, knitted, s.c. 784-79(a)Exportations et Réexportations: Chandails et cardigans, tricotés,
c.s. 784-79a)

<u>Year</u>	<u>Domestic Exports</u>		<u>Re-Exports</u>		<u>Total</u>	
<u>Année</u>	<u>Exportations Nationales</u>		<u>Réexportations</u>		<u>Total</u>	
	dozen	\$'000	dozen	\$'000	dozen	\$'000
	douzaine		douzaine		douzaine	
<u>Total - Total</u>						
1961	1,091	97	3,783	166	4,874	262
1962	2,592	287	1,225	55	3,817	342
1963	3,609	353	1,109	79	4,718	432
1964	3,629	399	1,683	70	5,312	470
1965	5,888	461	456	29	6,344	490
1966	6,870	482	645	31	7,515	513
1967	9,829	601	5,220	106	15,049	707
1968	5,768	583	5,457	116	11,225	699
1969	11,617	943	8,751	220	20,368	1,163

United Kingdom - Royaume-Uni

1961	222	17	2,575	114	2,797	131
1962	20	4	256	13	276	17
1963	61	4	900	62	961	66
1964	73	4	334	7	407	11
1965	20	1	192	11	212	12
1966	9	1	61	4	70	5
1967	283	4	255	15	538	19
1968	59	4	307	16	366	20
1969	998	7				

Commonwealth Caribbean - des Antilles du Commonwealth

1961	345	14	-	-	345	14
1962	728	33	2	*	730	33
1963	941	32	75	4	1,016	36
1964	1,220	44	153	3	1,373	47
1965	2,797	115	90	5	2,887	120
1966	3,960	172	-	-	3,960	172
1967	4,102	158	1	*	4,103	158
1968	1,102	51	10	1	1,112	52
1969	2,617	125				

Table 19 (Concl'd)
Tableau 19 (Fin)

<u>Year</u>	<u>Domestic</u> <u>Exports</u> <u>Exportations</u>		<u>Re-Exports</u> <u>Réexportations</u>		<u>Total</u> <u>Total</u>	
<u>Année</u>	<u>Nationales</u>					
	dozen		dozen		dozen	
	douzaine	\$'000	douzaine	\$'000	douzaine	\$'000
<u>United States - Etats-Unis</u>						
1961	398	59	734	41	1,132	100
1962	1,218	207	949	39	2,167	246
1963	1,174	239	115	10	1,289	248
1964	1,607	302	985	49	2,592	351
1965	1,874	298	33	4	1,907	302
1966	1,712	264	311	18	2,023	282
1967	2,660	323	2,256	67	4,916	390
1968	4,099	505	2,671	67	6,770	572
1969	8,450	782				

(a) Prior to 1967 was s.c. 780-45

a) Avant 1967 était c.s. 780-45

APPENDIX II

Calculation of Margin Between Value for Duty and
Estimated Wholesale Value of Imported Sweaters

Price quoted in country of origin	\$18.52 U.S., per dozen	
	<u>Actual</u>	<u>Cumulative</u>
	<u>Amount</u>	
	\$ Canadian per dozen	
Exchange at 8%	1.48	
Value for duty		20.00
M.F.N. duty at $27\frac{1}{2}$ p.c.	5.50	
Duty-paid value		25.50
Transportation, insurance, brokerage, export packing, etc., 15%	3.83	
Landed cost in Canada		29.33
Importer's markup, 15%	<u>4.40</u>	<u>33.73</u>
Total	<u>15.21</u>	<u>33.73</u>
Importer's selling price		33.73

Margin between importer's selling price and:

Value for duty	\$13.73 per dozen	or	68.7%
Duty-paid value	8.25 per dozen	or	32.3%

The duty included is based on the existing M.F.N. rate because most of the imported sweaters originate in countries to which this rate would apply. The cost of transportation, insurance, etc., will vary, depending on such things as the value of the sweaters, whether they are shipped by a slow or fast ship or by air freight and so on. The importer's markup is also variable, depending on the size of the purchase, credit terms and related factors.

Exchange is shown at eight per cent; this was the approximate rate prevailing prior to the freeing of the Canadian dollar on June 1, 1970.

III-1

APPENDIX III

TARIFF HISTORY

Tariff Item 56805-1, formerly 568(1)

Knitted garments, knitted fabrics and knitted goods, n.o.p.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
June 4, 1969	20 p.c.	27½ p.c.	55 p.c.
January 1, 1969	20 p.c.	32 p.c.	55 p.c.
January 1, 1968	20 p.c.	33½ p.c.	55 p.c.
June 21, 1961	20 p.c.	35 p.c.	55 p.c.

Previously classified under tariff item 568

Tariff Item 56810-1, formerly 568(2)

Knitted garments, women's and girls', wholly or in chief part by weight of wool or hair, valued at not less than \$9.00 per pound

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
June 4, 1969	20 p.c.	27½ p.c.	55 p.c.
January 1, 1969	20 p.c.	30½ p.c.	55 p.c.
January 1, 1968	20 p.c.	31½ p.c.	55 p.c.
June 21, 1961	20 p.c.	32½ p.c.	55 p.c.

Previously classified under tariff item 568

Tariff Item 568 (prior to June 21, 1961)

Knitted garments, knitted underwear and knitted goods, n.o.p.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
GATT January 1, 1948		35 p.c.	
U.S. Trade Agreement, January 1, 1939			
EX. Knitted garments, n.o.p.		35 p.c.	
February 26, 1937	20 p.c.	35 p.c.	45 p.c.
and per pound		25 cts.	30 cts.

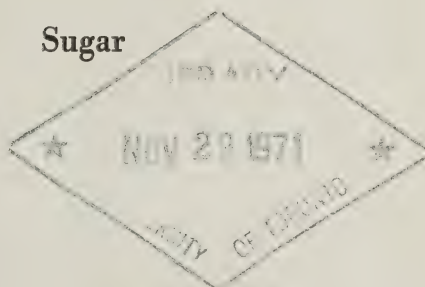
The earlier history of this item can be found on pages 205 and 207-8 of the volume entitled "Hosiery and Knitted Goods", of the Tariff Board's report on Reference No. 125, Textiles.



Report by **THE TARIFF BOARD**

Relative to the Investigation Ordered
by the Minister of Finance
respecting

Sugar



Reference No. 146



Report by

THE TARIFF BOARD

Relative to the Investigation Ordered
by the Minister of Finance
respecting

Sugar

Reference No. 146

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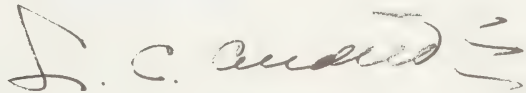
The Honourable
The Minister of Finance
Ottawa

Dear Mr. Minister:

I refer to your letter dated July 11, 1969, in which you directed the Tariff Board to make a study and report on sugar and related products and more particularly on tariff items 13400-1 to 13705-1 inclusive, tariff items 14000-1 and 14005-1 and on item 97050-1.

In conformity with Section 4(2) of the Tariff Board Act, I have the honour to transmit the Report of the Board relating to sugar and related products. A copy of the transcript of the proceedings at the public hearings accompanies the Report.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "J. C. Audet", followed by a stylized flourish or tail.

Chairman

Explanation of Symbols Used

- Denotes zero or none reported
- .. Indicates that figures are not available
- * In statistical tables, indicates a reported figure which disappears on rounding, or is negligible
- (a) A small letter in brackets denotes a footnote to a table
- s.c. Denotes a Dominion Bureau of Statistics import or export statistical class
- (Vol. -, p. -) Denotes volume and page of the transcript of proceedings at the public hearing unless the context clearly indicates another cited reference

The sum of the figures in a table may differ from the total, owing to rounding

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Ottawa, July 11, 1969

Mr. L.C. Audette
Chairman
The Tariff Board
Ottawa.

Dear Mr. Audette:

In view of recent changes in the international sugar market including Canada's accession to the new International Sugar Agreement, I believe it would be useful to review thoroughly the rates of duty and the tariff nomenclature for sugar and related products.

I therefore direct the Tariff Board to make a study and report under section 4(2) of the Tariff Board Act on tariff items 13400-1 to 13705-1 inclusive, tariff items 14000-1 and 14005-1 and on item 97050-1. The Board may also include in its study other related items which it considers relevant to its enquiry. The study should cover, inter alia, the effectiveness of the present nomenclature and the economic effect of the tariff structure on imports and prices of refined sugar, on the Canadian refiners' margins, and on sugar beet production in Canada.

If in the Board's judgment amendments to the Customs Tariff are desirable, I would request that the Board prepare a revised schedule of tariff items, with recommendations as to rates of duty.

I would ask that the Board submit its report as soon as possible.

Yours sincerely,

E.J. Benson

Companies and Agencies Which Made Representations

A public hearing was held at Ottawa on January 19, 20, 21, 22, 23, 26, 27, 28, 29 and 30, 1970.

Representations were received from the following:

Atlantic Sugar Refineries Co. Ltd.
British Columbia Sugar Refining Co. Ltd.
Canada and Dominion Sugar Company Limited
Cartier Refined Sugars Ltd.
St. Lawrence Sugar Limited

Canadian Sugar Beet Producers' Association
Raffinerie de Sucre de Québec
Union Catholique des Cultivateurs

Colonial Sugar Refining Co. Ltd. (Fiji)
Cuban Sugar Trade Organisation
Mauritius Chamber of Agriculture and
Mauritius Sugar Syndicate
The Queensland Sugar Board (Australia)
South African Sugar Association
Swaziland Sugar Association
Uganda Sugar Manufacturers Association
The West Indies Sugar Association (Inc.)
Mr. R.W.M. Austin

* The Canada Starch Company Limited

Canadian Industrial Sugar Users
Consumers' Association of Canada

* The Canadian Beekeepers' Council
Canadian Wine Institute

Canada West Indies Molasses Co. Limited
Imperial Molasses Company Ltd.

* Pacific Molasses Limited

* Not represented at the hearing

INTRODUCTION

In the letter of reference to the Board, the Minister of Finance said, in part:

"In view of recent changes in the international sugar market including Canada's accession to the new International Sugar Agreement, I believe it would be useful to review thoroughly the rates of duty and the tariff nomenclature for sugar and related products.

"I therefore direct the Tariff Board to make a study and report under section 4(2) of the Tariff Board Act on tariff items 13400-1 to 13705-1 inclusive, tariff items 14000-1 and 14005-1 and on item 97050-1... The study should cover, inter alia, the effectiveness of the present nomenclature and the economic effect of the tariff structure on imports and prices of refined sugar, on the Canadian refiners' margins, and on sugar beet production in Canada."

Of the tariff items given in the Minister's letter which apply to cane and beet sugar, some portions are reproduced below, in brief form; the items which apply generally to molasses, syrups and miscellaneous products are discussed in some detail in later sections of the report. All the tariff items under review are reproduced in the Appendix on Tariff History. The long schedules of rates under items 13400-1 and 13500-1 are also shown in that Appendix; the rates shown here under items 13400-1 and 13500-1 are those to which reference is made more frequently in the text of the sections of this report, which follow.

		<u>B.P.</u>	<u>M.F.N.</u>
13400-1	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item 13500-1		
	When exceeding 99° per 100 lbs.	\$1.09	\$1.89
	GATT		
Ex.	Sugar, produced from sugar cane or beets		
	The Government of Canada undertakes, with respect to sugar dutiable under tariff items 13400-1 and 13500-1, not to impose rates of duty higher than those in effect on 1st July 1939, but reserves the right to revise the wording of the said tariff items, provided that under any such revised wording the over-all incidence of import duties and taxes shall no be greater than that in effect on 1st July 1939.		

B.P.M.F.N.

Union of South Africa Trade Agreement...
British Preferential.

13405-1	Sugar, for use in the manufacture of wine... per one hundred pounds	\$.0109	\$.0189
13500-1	Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour, ... When exceeding 95° but not exceeding 96° per 100 lbs.	28.712¢	\$1.28712

NOTE: (See extract shown under tariff
item 13400-1)

13500-2	Australian Trade Agreement Sugar above No. 16 Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner for refining purposes only, under regulations by the Minister, when exceeding 98 degrees, but not exceeding 99 degrees polarization..... per 100 lbs. 31.64 cts.		
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Union of South Africa Trade Agreement
British Preferential

97050-1	Raw sugar, imported other than under the General Tariff. When used by a recognized sugar refinery in the production of refined sugar used in the manufacture of wine 99 per cent drawback		
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In very general terms the various items of this Reference
apply mainly to the products noted in the following:

<u>Tariff Item</u>	<u>Principal Products Imported Under the Item</u>
13400-1	refined sugar
13405-1	sugar for wine
13500-1	raw sugar for refining
13505-1	invert sugar; syrups excluded from items 13600-1 and 13650-1
13600-1	cane molasses, not for human consumption
13650-1	beet molasses
13700-1	molasses for human consumption (actually a syrup)
13705-1	molasses powder
14000-1	syrups n.o.p., including syrups in consumer containers
14005-1	shredded sugar cane
97050-1	drawback of duty on raw sugar used in refined sugar for wine

The main body of this report deals with the cane sugar refining industry, the production, distribution and pricing of refined sugar, imports of raw cane sugar, international agreements and many related subjects. Sugar beet production is dealt with in a separate section, as are molasses and syrups; these subjects, though related to the sections of the report dealing with cane and beet sugar, seemed sufficiently different to warrant such treatment. The parts of the report which relate to sugar beets, molasses and syrups and to other, miscellaneous products, follow the sections which deal with raw and refined sugar.

The report was written over a period of several months and some sections were completed before others. Where developments subsequent to the completion of a section appeared significant, supplementary material was added, as in the section on molasses; where the conclusions did not appear to be affected, the text remained unchanged but the later statistics were added to the tables.

The term "British preferential margin" or, more briefly, "preferential margin" is used throughout the report; this margin is the difference between the rates of duty under the B.P. and M.F.N. Tariffs, of the relevant tariff items. For example, the rates of duty for sugar exceeding 95° but not exceeding 96°, per 100 pounds, under item 13500-1, shown earlier, were 28.712 cents, B.P., and \$1.28712, M.F.N., and the preferential margin is \$1.00 per 100 pounds. A seller of B.P. sugar to a Canadian refiner could demand 75 cents more per 100 pounds, in the above example, and still under-

sell an M.F.N. seller of comparable sugar by 25 cents per hundred-weight. The additional amount paid by the Canadian refiner because of the existence of the preferential margin in the rates of duty under item 13500-1 is referred to as the "preferential premium."

Statistics relating to sugar and its products were obtained from a large number of sources and were reported in different units of quantity and value; in this report, quantities shown in tons are always in short tons, unless otherwise specified; throughout the report, hundredweights are units of 100 pounds; values are given in Canadian currency unless noted otherwise. Because of the unusually large number of sources of the statistics used, time lags in reporting sometimes resulted in problems of reconciliation. For example, purchases of sugar by the U.K. Sugar Board may have been reported by that Board in 1967, but the actual exportation of the sugar may have been recorded in 1968, the year in which the sugar was actually shipped. As a result the actual exports under Negotiated Price Quotas, as reported by the country of origin, may differ from the quantities reported by the Sugar Board. This, and other statistical problems were resolved as appeared appropriate.

The principal issues relating to cane sugar involved the tariff nomenclature, the rates of duty on raw and refined sugar and the British preferential margin in the rates of duty on raw sugar. Although spokesmen of the various interests represented at the public hearing discussed the matters specifically referred to the Board for investigation, such as the International Sugar Agreement and the refiners' margins, these were not particularly controversial subjects. The most controversial subjects were the suggested alternatives to the Dutch standard of sugar color, and the British preferential margin in the Canadian rates of duty on raw sugar.

A great deal of discussion revolved around the question of an acceptable substitute for the long obsolete Dutch standard of sugar color. In the end, it was generally agreed among Canadian refiners that no substitute was necessary and that all references to the Dutch standard should be deleted from tariff items relating to sugar, that is, items 13400-1, 13500-1 and 13500-2. (Vol. 4, p. 511, 513, 579, 584), but that item 13500-1, as amended, should cover sugar imported by refiners for refining purposes only and item 13400-1, as amended, should cover sugars n.o.p. imported by others than refineries and wineries, at the higher rates proposed for refined sugar.

No agreement was reached, at the public hearing, with respect to the magnitude of the preferential margin in the Canadian rates of duty on raw sugar, but there was general agreement among Canadian refiners and B.P. sugar producers that a preferential margin should continue to be part of the rate structure. One exception was contained in the submission of Mr. R.W.M. Austin, but his proposals relative to quotas, and bilateral agreements with certain suppliers, would have a similar effect; the Canadian Industrial Sugar Users proposed free entry for all raw sugars and, therefore, no preferential margin.

Most Canadian refiners proposed free entry for B.P. raws not exceeding 99° in polarization but they differed in their views

regarding the appropriate corresponding levels of the M.F.N. Tariff. With one exception, Cartier Sugar Refineries Ltd. (Cartier) they proposed schedules of M.F.N. rates related to the polarization of the raw sugar; with free entry under the B.P. Tariff at 96⁰, the basic polarization for the international prices of sugar, they proposed M.F.N. rates and, therefore, also preferential margins, of 60¢, 78.2¢ and \$1.00, per 100 pounds. Cartier proposed rates of Free, B.P. and 75¢, M.F.N., per 100 pounds for all raw sugars not exceeding 99⁰ in polarization.

The British Columbia Sugar Refining Company, Limited (B.C. Sugar), the farm organizations, the sugar beet producers and the spokesmen for beet sugar factories, all urged that the existing rates of duty on raw and refined sugar should remain unchanged and, therefore, that the current preferential margins should also not be changed.

Suppliers of raw sugar whose imports enter Canada under the B.P. Tariff opposed any reduction in the existing preferential margins on raw sugar but Cuba urged that the margins should be either eliminated or reduced.

With respect to item 13400-1, which applies essentially to refined sugar, Canadian refiners were almost unanimous in proposing that the existing rates of duty remain unchanged; the only exception was the proposal of St. Lawrence Sugar Limited (St. Lawrence) that the M.F.N. rate on sugar exceeding 99⁰ polarization be reduced from \$1.89 to \$1.62 per 100 pounds. The Canadian Industrial Sugar Users proposed free entry for all refined sugar, regardless of origin. The Consumers' Association of Canada urged that the rates of duty on refined sugar should be reduced in line with the reduction in the raw sugar duties which they proposed, "so as to no more than maintain or preferably, so as to reduce the effective protection now enjoyed by Canadian refiners". (Vol. 9, p. 1619)

There was almost no opposition and relatively little discussion of the proposal of the Canadian Wine Institute that end-use item 13405-1 remain unchanged in wording and rates. The main concern of Canadian refiners was that such concessions should not be extended to others. There was also little discussion of item 13500-2, which gives effect to trade agreements with Australia and South Africa; the consensus appeared to be that the rates which apply to Australian and South African sugar of the relevant polarizations should be the same as the proposed B.P. rates.

Because of their complexity, the above outline of the proposals indicates only the general positions taken by various parties at the public hearing and in briefs submitted to the Board. A more detailed discussion of the proposals and the arguments submitted in their support is given in later sections of this report, following the description and analysis relevant to the various aspects of sugar refining in Canada.

Historical Background

World consumption of sugar expanded rapidly in the early years of the present century, but not sufficiently to keep pace with increases in production. Much of the production increase had been stimulated by the subsidies and bounties provided by governments of continental European countries to their sugar beet producers and, as a result, stocks of sugar began to accumulate and prices began to fall. By 1914, for example, the price of refined sugar in the United States averaged a little over 4.5 U.S. cents a pound and, but for the coming of the first world war, might have fallen even further. The mobilization of armies deprived the European farms and mills of their labour force and much of the sugar beet producing area was devastated. The decline in European beet sugar production was rapid and sugar became a scarce commodity. Germany was the world's leading sugar producing country in 1914 was an output of three million short tons; by 1920, its output had dropped to 1.2 million tons. This decline reflected a general trend in Europe, where the total production dropped from 9.2 million tons in 1914 to 4.2 million tons in 1920. Prices soared.

Increasingly, the Allied Powers turned to the supplies of raw cane sugar which were obtainable from areas far removed from the hostilities. Outstanding among these was Cuba, which increased its production from about three million tons at the beginning of the war to some 4.5 million tons by the end. Many other sugar cane producing countries increased their output, but on a lesser scale than in the case of Cuba. The net increase in all countries amounted to roughly 2.0 million short tons and the total world production of cane sugar increased from about 8.5 million to almost 10.5 million tons, a very substantial increase but far short of the decline in output of beet sugar. The result of these changes was that world sugar production, both cane and beet, declined from 18.4 million short tons before the war to 15.9 million at the end.

By the end of the first world war the geographical distribution of production had been changed quite dramatically. Before the war, Europe produced about one half of the world's sugar; by 1920, its share had dwindled to a mere 26 per cent of the total. The Caribbean region accounted for 22 per cent of the world's output at the beginning of the war but, by 1920, had increased its share to 35 per cent. Immediately before the war, beet sugar accounted for more than one-half of the total supply; by 1920, the proportion was just over one-third.

In the early post-war years, governments gradually removed their restrictions on the distribution of sugar, but European production continued to decline. At the same time, the various war-time systems of price control were wound up and the rising demand coupled with falling supply, made for spectacular price increases. In the U.S.A., during the period of government controls, the price was fixed at nine U.S. cents a pound for refined sugar; by May 1920, after the removal of price restrictions, the price of raw sugar rose to 22½ U.S. cents a pound and the price of refined sugar rose correspondingly.

This was a period of great prosperity for sugar cane producers; in Cuban economic history it is referred to as the "dance of the millions." This did not last. The high prices which prevailed in the U.S.A. attracted sugar from all parts of the world. In the summer and fall of 1920 prices weakened and then fell catastrophically. From the $22\frac{1}{2}$ U.S. cents a pound, which Cuba was obtaining for raw sugars sold in the U.S.A., in May 1920, the price fell to $3\frac{5}{8}$ U.S. cents a pound by December 1920; by 1921, the price was below two cents a pound. In that year, Cuban sugar producers organized themselves into a cartel in an attempt to maintain prices, but it is doubtful whether it had any appreciable effect. In 1922, the improvement in economic conditions in Europe increased the demand for sugar and prices began to rise again.

Meanwhile, in Europe, most countries had responded to the shortages and the high prices of sugar by rebuilding their domestic beet sugar industries. The Brussels Agreement, signed in 1902, which bound most European countries to eliminate all direct and indirect bounties on the production or export of sugar, had been in abeyance during the war and, in any case, terminated officially in 1919. France, Germany, Belgium and Austria began to reinstate import duties on sugar which, under the Agreement, had been previously revoked. Other European countries also increased their duties on foreign sugar and instituted two-price systems which allowed domestic producers to obtain high prices in their home market to offset export sales at low prices. In 1919, the British Government granted a duty preference on sugars imported from its colonies and five years later, legislation was enacted giving British sugar beet growers a subsidy.

Canada had been the first Commonwealth country to institute preferential tariffs on sugar. The margin of preference was 17.875 cents per 100 pounds at the turn of the century and $23.8\frac{1}{3}\phi$ per 100 pounds from 1900 to 1906. In 1906, the margin was reduced to $20\frac{1}{2}\phi$ and again, in 1913, to 16.75ϕ , per 100 pounds, but was raised at the outbreak of the first world war to 33.75ϕ a hundred pounds. In April 1921 the margin of preference was again increased sharply, to 83.712 cents a hundredweight and in 1926 to \$1.00, the existing preferential margin per 100 pounds of 96⁰ raw sugar.

By 1925 the Cuban crop had reached nearly six million short tons and stocks continued to rise and prices to decline. In 1926 and again in 1927, the Cuban Government limited production, first to $5\frac{1}{2}$ million tons, then to five million. This action gave some temporary relief, but the outlook was far from bright. Production continued to increase in the rest of the world and its rate of growth still exceeded that of consumption. Once more, in 1928, Cuba restricted her crop, this time to 4.5 million tons. This action met with little or no co-operation from the rest of the world and Cuba let her 1929 crop increase without hindrance and, as a result, it almost equalled the 1925 record of nearly six million tons. In July of 1929 a Cuban delegation visited Europe in an attempt to awaken interest in a plan for the co-operative curtailment of production, but little was accomplished. Prices continued to fall and in September 1930 they reached one cent per pound of raw sugar, cost and freight paid basis, at New York.

As the result of these developments the world was again facing a position of serious over-production of sugar by 1931. World production had reached almost 28 million tons and Europe had increased her share of this total to 40 per cent compared with 26 per cent in 1920. The share of the Caribbean-region countries fell from 35 per cent to 20 per cent. These changes reflected the increased share of beet sugars, which rose from 34 to 45 per cent of the world's production between 1920-21 and 1930-31. The position was aggravated by the geographical imbalance of supply and demand. Continental Europe had achieved a position as a marginal net exporter of sugar while the countries with sugar-dependent economies, principally in the Caribbean area, had few outlets for their production outside North America and the United Kingdom.

In November 1930, largely through the initiative of Mr. Thomas L. Chadbourne, a New York attorney representing Cuban sugar interests, a series of conferences of sugar producing nations were held and, as a result, an International Sugar Agreement was signed on the 9th of May, 1931, in Brussels. The signatories were Cuba, Java (later Indonesia), Czechoslovakia, Germany, Poland, Belgium and Hungary. Cuba and Java were the principal exporters of raw cane sugar; the last five were the principal beet sugar producers in Europe. Together these countries represented nearly 45 per cent of the world's sugar production and accounted for 85 to 90 per cent of the sugars exported to "free" world markets - those in which prices were not controlled by special arrangements. The Agreement fixed the maximum quantities which could be exported by each of the signatory countries for a period of five years ending September 1st, 1935 and stipulated when and how export quotas could be raised. During the five-year term of the Agreement world sugar stocks dropped from a peak of $13\frac{3}{4}$ million tons to approximately 10 million and the increase in world production was halted. Despite this, the plan was not considered to be successful in lifting world prices to a profitable level. Its failure to do so was ascribed to the lack of co-operation by non-signatory countries.

To comply with the Agreement, Cuba limited its 1933 crop to $2\frac{1}{4}$ million tons compared with a production of 5.8 million tons in 1929; and Java gradually reduced its crop to about 700,000 tons, by 1935, compared with 3.3 million tons in 1931. The five European countries reduced their joint outputs from nearly $5\frac{1}{2}$ million tons to less than 3 million tons, by 1933. Despite these drastic measures, the industry remained seriously depressed as a consequence of low prices. The economic conditions of the early 1930s not only curtailed spending power throughout the world, but also resulted in a wave of economic nationalism. In the case of the minor sugar producing countries, this nationalism frequently took the form of attempting to gain self-sufficiency in sugar.

On the 25th of April 1934, the U.S. Congress passed the Jones-Costigan Amendment to the Agricultural Adjustment Act, which included provisions for a quota system on imports and a processing tax of one-half cent a pound on raw sugar, to support a program of benefit payments to domestic cane and beet sugar producers conditional on crop curtailment and other requirements on the part of producers.

Simultaneously with the imposition of the processing tax, the duty on Cuban raw sugar was reduced initially from 2¢ U.S. to 1.5¢ U.S. per pound and, later that year, to 9/10 cent per pound. Conditions in the sugar industry in the U.S.A., its possessions and Cuba improved. The Jones-Costigan Amendment of 1934 was followed by the Sugar Act of 1937 which largely re-enacted the conditions of the Amendment.

By the change in British tariff rates in 1919, the British Caribbean countries had received the benefit of preferential tariff treatment on sugars exported to the United Kingdom; in addition, they had also benefited from the increased margin of preference on sugar exported to Canada after April 1921. Nevertheless, the economies of these countries had suffered severely as the result of the declining prices in the latter part of the 1920's. In 1932, the United Kingdom increased the margin of preference granted to British Colonial producers relative to all other suppliers of sugar, including Dominion suppliers, for reasons of social policy. In order that the increase in the United Kingdom preference should not merely divert West Indian sugar from Canada to the United Kingdom, the British Government imposed quotas on imports of sugar entitled to these preferential rates of duty. These special quotas amounted to a substantial proportion of the total sugar production of these countries and, since they were revised upwards, in most years they constituted a strong incentive to increase the output in these areas.

In January 1937 the League of Nations extended invitations to 22 of the leading producing and consuming countries to attend a world sugar conference which was held in London on the 5th of April that year. This conference negotiated an International Sugar Agreement which was to remain in force for five years beginning September 1937. The document was signed by 21 nations which, together, accounted for approximately 85 per cent of the world's sugar production and for about 88 per cent of the world's sugar consumption.

In effect, the 1937 Agreement placed the principal exporting countries of the world on a quota basis, discouraged excess production and provided for the reduction of accumulated stocks. Another important feature was the provision for co-operation between the principal exporting and consuming countries. By the time the U.S. Sugar Act of 1937 and the London International Sugar Agreement became effective, plantings of sugar cane and beets were sufficiently large to produce a crop of over 34 million tons, a world record at that time; cane accounted for approximately two-thirds of the total. The large production in the 1937-38 season again proved too much for the demand at the then current prices, and prices sagged.

The operation of the International Sugar Agreement was overtaken by preparations for the second world war and, by the end of 1939, almost every country in the world had some form of emergency control of sugar and the Agreement was ignored.

From the outbreak of war in 1939 to the end of 1941, ample supplies of sugar were available in the major exporting countries. Among the principal importing countries, Britain was more concerned with the allocation of its exchange reserves and shipping space than the procurement of sugar. The invasion of Holland, in 1940, had the

effect of making large stocks of sugar available in Java. Thus, for the first eighteen months of the war, the United Kingdom had no difficulty in obtaining from Commonwealth sources and from Java, all the sugar for which it was prepared to allocate foreign currency and shipping space. By 1941, the scarcity of shipping forced the United Kingdom to concentrate on sources relatively close at hand for its imports of sugar. The U.S.A. was not yet involved in hostilities and her traditional overseas supply areas were not, at that time, cut off by the war.

Meanwhile, the major sugar beet producing areas of western Europe had been overrun by the Axis Powers, as had the Ukraine, which was responsible for the bulk of the production in the U.S.S.R. Following the entry of Japan into the war in December, 1941, the sugar producing areas of the Philippines and Indonesia were also denied to the Allied Powers.

By 1942, sugar available to Allied governments had been drastically reduced and the position was further aggravated by the complications involved with the loss of the major rubber exporting areas of Indonesia and Malaya. The loss of these areas led to the establishment of a large synthetic rubber industry which required large quantities of alcohol and, therefore, created a heavy demand for sugar for its manufacture. Thus, in spite of a record crop of beet sugar in the U.S.A. in 1942, rationing was introduced there, in May of that year.

Canada also introduced rationing and price control of sugar at about the same time and sugar was rationed from July, 1942 to November, 1947. In addition, Canada suspended all tariffs relating to raw sugar for refining from April, 1942 to November, 1947.

In view of the acute shortage of shipping space, the United Kingdom turned almost exclusively to the Caribbean area as its source of raw sugar supply. With the Philippines and Indonesia under Japanese control and with a difficult general situation with respect to Pacific Ocean shipping and, therefore Hawaiian supplies, the U.S.A. and Canada also turned largely to the Caribbean for raw sugar supplies. During the latter part of the war, sugar supplies to Britain, the U.S.A. and Canada were allocated by a three-nation Combined Food Board.

Hostilities ceased in Europe in May, 1945, and, in Asia in the following August. The 1945-46 world sugar crop was less than 23 million tons, the smallest in over two decades. European output dropped to less than $5\frac{1}{2}$ million tons, little more than half the normal pre-war crop and production in Asia amounted to about six million tons compared with over ten million immediately before the war. In these circumstances sugar rationing and price control were maintained in most countries. The U.S.A. continued to buy the exportable surplus of Cuban output and the United Kingdom purchased the Dominican and Haitian exports as well as the sugars available from Commonwealth countries, for Canada and itself. Both the United Kingdom and the U.S.A. were paying about 5 U.S. cents a pound, or a little less, for raw sugar at this time.

The Combined Food Board (of the U.S.A., the United Kingdom and Canada) was succeeded by the International Emergency Food Council of nineteen nations, in 1946. Subsequently, six more nations were added to the Council. This body continued to allocate foods which were in short supply, including sugar, on an international basis. Peru, with sugar exports of about 336,000 tons, was the only important sugar-exporting country which remained outside the international control. Sugar in the free world market fetched much higher prices than under international allocation, often as much as 15 U.S. cents a pound for refined sugar.

The world shortage of sugar, together with the assurance of the International Emergency Food Council that all that could be produced would be sold at remunerative prices, was a stimulus to increased planting. In the 1947-48 season total world production rose to 28.7 million tons, compared with 22.0 million tons in 1945-46 and Cuba harvested a record of 6.7 million tons. The improved supply position led the U.S.A. to abolish consumer rationing in June 1947 and industrial rationing in August. As noted, Canada ended rationing of sugar in November, 1947.

Although 1947-48 world production was still somewhat below the pre-war average, the Western Hemisphere was producing almost four million tons more than it did before the war. Asia, principally Java, the Philippines and Formosa, had as yet shown few signs of the restoration of normal conditions in sugar production. Europe, on the other hand, had made a substantial recovery although available supplies were still substantially below requirements, because of the acute shortage of dollars which impeded purchases from the regions where surplus sugar was available. By the 1949-50 season, Europe was producing 30.7 per cent of the world output of sugar compared with about 35.2 per cent before the war and the Caribbean region was producing 31.0 per cent of the total compared with 20.2 per cent pre-war. Each of the other main world regions except Africa and South America, both of which were relatively small producers at that time, were producing a smaller proportion of the world total than they did before the war.

Post World War II Developments

The recovery in world sugar production from the effects of World War II appears to have been completed by 1950, when the pre-war production was surpassed with a world output, in 1950-51, of 37 million short tons. Production continued to rise rapidly until, in 1969, it amounted to 76.8 million tons.

The most prominent feature of the post-war period was the division of world markets into zones based on some form of restricted entry. The U.S. quota system, originally introduced in 1934, allocated quotas to U.S. cane and beet sugar producers, both on the mainland and in Hawaii, the Philippines and Puerto Rico as well as to foreign suppliers. Since 1960, the large quota formerly allocated to Cuba has been re-allocated to a number of countries, many in the Caribbean and South America.

During World War II, the United Kingdom bought all the exportable surplus of sugar from Commonwealth countries; after the war and after lengthy discussions, the Commonwealth Sugar Agreement was signed in London, in 1951. Under this agreement the United Kingdom agreed to purchase specified quantities of sugar from each territory at prices fixed at the level declared to be reasonably profitable to an efficient producer. In addition to the negotiated price quotas, over-all export quotas to British preferential markets are fixed, which the producing countries undertake not to exceed.

The sugar trade between France and her overseas departments and territories are considered to be internal transactions. From the 1954-55 season to the 1957-58 season, production quotas were established on the basis of the then current requirements. Beginning with the 1958-59 season a new approach was adopted. A production goal of 2.2 million tons of refined sugar was allocated to the producing areas of the French Community, which includes France, Guadeloupe, Martinique, Réunion, French Guiana, French Somaliland, and French Oceania. Individual production targets vary from year to year, but the total must not decline below two million tons. Since 1953, an organization has been operating to equalize prices obtained from the sales within the French Community and from exports to the free market. A storage fund financed by a levy on sugars produced was established in 1957. This fund makes payments to sugar manufacturers and refiners on all sugar produced within the target quota of two million tons, which is held in stock or is en-route to metropolitan France; no payments are made for sugar produced in excess of the quota although such excess sugar remains subject to the levy.

Angola and Mozambique produce practically all the sugar consumed by the Portuguese economic system. The Portuguese Minister of Economic Affairs estimates the consumption requirements each year and limits imports accordingly. The government annually sets the prices of raw white crystal sugar produced in Angola and Mozambique.

The socialist countries regulate much of their trade in sugar by a series of trade agreements; these are concerned principally with the allocation of the Cuban crop among the socialist countries.

World production of centrifugal sugar rose from under 58 million short tons, in 1960, to nearly 77 million tons, in 1969. The British preferential countries increased their share of this total, very slightly, from 15 per cent in 1960 to 17 per cent in 1969. Since 1960, there has been a small but noticeable change in the composition of the total production; in 1960, beet sugar accounted for 43.7 per cent of the total world production; by 1969 it had risen to 44.4 per cent. The position was somewhat different among the British preferential countries in that the proportion of beet sugar of the total was not only very much lower, but it dropped significantly, from 15 per cent in 1960 to 11 per cent in 1969.

The world trend has been towards a somewhat greater self-sufficiency with respect to sugar; world exports amounted to 37 per

cent of world production in 1960 but the proportion had dropped to 29 per cent, by 1969. The British preferential countries departed from the over-all pattern, in that production rose by much more, 54 per cent compared with 33 per cent; to a large extent this has been due to the increased production of Australia and South Africa. However, although total B.P. exports increased by more than one million tons, in this period, the proportion of the production which was exported, dropped from 43 per cent in 1960 to 37 per cent in 1969.

Thus, the world production of sugar has been rising and that of British preferential countries has been growing at a more rapid rate than the world total. Beet sugar has formed an increasing proportion of the over-all total and by 1969, had come to represent over half the output of the non-British preferential countries. However, in the British preferential countries, beet sugar had never been of much importance and its relative contribution has declined in recent years.

In Canada, production of sugar, all beet, fell by six per cent during the 1960's, from 168,000 tons in 1960 to 158,000 tons in 1969. However, the period also saw a rise in consumption of 39 per cent, from 852,000 to 1.2 million tons. The percentage rise in Canadian domestic consumption between 1960 and 1969 was almost the same as that of world consumption, of 40 per cent.

During the 1960's, world net exports actually decreased by one per cent, reflecting the trend to greater self-sufficiency and the rapidly rising world levels of consumption. Exports by B.P. countries did not follow the general trend and increased by 1.14 million tons during the decade, a rise of 31 per cent. However, the premium-price markets available to B.P. exporters, under Negotiated Price quotas in Britain and under the U.S. Sugar Act quotas in the U.S.A., increased by 625,000 tons, between 1960 and 1969 and accounted for 55 per cent of the additional exports of B.P. countries, and the increase in Canadian consumption accounted for a further 29 per cent. Thus, although exports by B.P. countries have increased fairly substantially, in the past decade, the demand for these supplies also has increased substantially.

THE PRODUCTS

Refined, white, granulated sugar is purified and crystallized sucrose; it is much the largest single output of the Canadian sugar refining industry and, in 1969, accounted for about 65 per cent of the quantity and 70 per cent of the value, of the total output of sugars and molasses of Canadian cane and beet sugar manufacturers. It is sold unbagged in bulk, and in 50- and 100-pound bags, to large industrial or institutional users, and in a wide variety of packages from the individual servings used by restaurants to the two-, five- and ten-pound packages for direct consumption. Some finely granulated sugar is also sold in one-pound packages for use on fruits or other desserts. In Canada, any product sold as "sugar" must be at least 99.8 per cent sucrose, according to the regulations under the Food and Drugs Act. There is no discernible chemical or physical difference between beet and cane sugar under modern conditions of manufacture and the existing regulations do not differentiate between them. The relative importance of the various products, in 1969, is shown below.

Table 1: Shipments of Principal Sugar Products, 1969

	<u>Shipments, 1969</u>			<u>Proportion of Total</u>	
	<u>mn. lb.(a)</u>	<u>\$'000</u>	<u>\$/cwt.</u>	<u>Quantity</u> per cent	<u>Value</u> per cent
Granulated white:					
cane	1,339	107,155	8.00	62.9	61.6
beet	<u>232</u>	<u>19,330</u>	<u>8.33</u>	<u>10.9</u>	<u>11.1</u>
Total granulated white	1,571	126,485	8.05	73.8	72.7
Loaf & cube	12	1,598	13.27	0.6	0.9
Pulverized & icing	106	9,849	9.26	5.0	5.7
Yellow & brown	125	11,696	9.36	5.9	6.7
Liquid & invert(b)	<u>316</u>	<u>24,355</u>	<u>7.71</u>	<u>14.8</u>	<u>14.0</u>
Total products	2,131	173,983	8.17	100.0	100.0
By-Products(c)					
Cane molasses	48	719	1.48		
Beet molasses	90	1,551	1.73		
Beet pulp(d)	<u>138</u>	<u>3,123</u>	<u>2.27</u>		
Total, all products	2,407	179,376	-		

(a) Contained sugar

(b) Includes all liquid sugars, invert sugar and mixtures

(c) In terms of actual weight

(d) Includes dried beet pulp with molasses added

Source: DBS, Cat. No. 32-222

Canadian regulations define liquid sugar as "the food obtained by dissolving sugar in water." Liquid sugar of a high sucrose content can be withdrawn from the processing operations just before crystallization operations begin. It may be sold as withdrawn or it may be diluted to certain lesser concentrations specified by the purchaser; it may also be sold as a mixture of liquid and invert sugar, diluted as required.

Certain white sugar specialties are produced from granulated sugar by most Canadian refiners. These include cubed or diced sugar, and icing sugar; icing sugar is a very fine, pulverized sugar to which either a maximum of five per cent of starch or another anti-caking agent may be added, under the existing regulations.

When imported, granulated white sugar and the white sugar specialties described above would be entered under tariff item 13400-1; solutions of sugar would be classified as syrups under items 13505-1 or 14000-1, depending on the gross weight of the receptacle and contents, in which imported.

Brown or yellow sugars, the so-called "soft sugars", are made in Canada by Atlantic Sugar Refineries Co. Ltd. (Atlantic), by St. Lawrence, by the Montreal plant of Canada and Dominion Sugar Company Limited (C. & D.) and by B.C. Sugar. The colour of the product varies from a pale yellow to a dark brown. It may not contain less than 90 per cent sugar and invert sugar, nor more than 4.5 per cent of moisture and 3.5 per cent of sulphated ash, according to the regulations. It was stated, at the public hearing, that soft sugars are a Canadian specialty and that they are a larger proportion of the total production of all sugars in Canada, than in any other country. In effect, refiners who produce soft sugars can sell a greater proportion of their output at sugar prices, and a lesser proportion at the much lower molasses prices, than can those refiners who do not produce soft sugars. However, the production of soft sugars requires additional processing and is undertaken at extra cost.

In 1969, soft sugars accounted for six per cent of the total output of sugars by Canadian refineries and nearly seven per cent of the total value of this output, excluding molasses. Beet sugar factories do not produce soft sugars, largely because of the undesirable flavor of beet molasses. Two of the cane sugar refineries, C. & D. at Toronto and Cartier, also do not produce soft sugars. Soft sugars are seldom, if ever, imported into Canada. (Vol. 3, p. 398) If they were, they would be entered under tariff item 13400-1 as refined sugars.

Invert sugar consists of equal proportions by weight of glucose (liquid dextrose) and fructose (levulose) and is usually prepared commercially by the action of dilute inorganic acid on ordinary sugar (sucrose); it occurs in nature as the main constituent of natural honey. Invert sugar is described in the following extract from a brief received by the Advisory Board on Tariffs and Taxation, the predecessor of this Board, in the record of its hearing on "Invert Sugar Syrups", dated February 18, 1930.

"Invert sugar, whether formed by the action of some dilute acid, or by the use of some ferment such as brewer's yeast, on ordinary cane sugar, consists of equal parts of Dextrose and Levulose (fructose). The sucrose content of cane or beet juice is determined by placing some of the liquid in a polariscope, an optical instrument for examining substances in polarized light. As the beam of light passes through the liquid the degree to which it is deflected to the right depends upon the amount of sucrose in the liquid. If dextrose is present, it also deflects the light to the right but fructose diverts the light to the left and more strongly so than dextrose does in the opposite direction. A mixture of equal parts of dextrose and fructose will, therefore, show a deflection to the left. So the conversion of sucrose into dextrose and fructose results in reversing or "inverting" the direction of the plane of polarized light. Hence this reaction is known as "inversion" and the term "invert sugar" is used to describe the mixture of equal parts of dextrose and fructose."

In its chemically pure form invert sugar is a solid, but in Canadian commercial practice the product is always, or almost always, sold as a liquid, whose concentration depends upon the customer's specifications.

For the special purposes of the industrial sugar market -- confectioners, bakers, jam manufacturers and others -- sugar refiners supply sugars in solution; these may be liquid sucrose, liquid invert sugar, or some combination of these. The Canadian regulations define invert sugar as "the food obtained by the partial or complete hydrolysis of sugar" (B. 18.003). Another regulation, B. 18.005, requires that "no person shall sell liquid sugar or liquid invert sugar unless the label carries a statement of the percentage of sugar or invert sugar contained therein".

Customers who purchase liquid sugars may require a relatively pure liquid invert, a relatively pure liquid sucrose, or a solution containing both invert sugar and sucrose in certain specified proportions. As compared with sugar, invert sugar has the advantage, for some uses, that it does not crystallize. As compared with dry granulated sugar, liquid sugar, either alone or in combination with invert, has the advantage that it can be pumped into vats or other mixing vessels without further preparation. An additional advantage is that specified proportions of contained sugars and a specified concentration of the solution can be obtained from a refinery thus avoiding the necessity of performing mixing and standardizing operations on the customer's premises.

Both of the components of invert sugar, levulose and dextrose, are sometimes described as reducing sugars and this term appears in three of the items within the terms of this Reference. The name is derived from a characteristic which these sugars share: in alkaline solutions, both levulose and dextrose will reduce copper, which is present in a solution in the cupric state, to cuprous oxide, an insoluble form. As a result, the presence of reducing sugars can be quickly detected by a simple test and the extent to which they are present can be established by using a solution whose content of the

soluble form of copper (the cupric state) is known. Sucrose does not have this characteristic and, therefore, is not a reducing sugar.

Imported invert sugar would be entered under tariff item 13505-1. Syrups of sugar or invert sugar which, after inversion, have 71 per cent or more of their total solids in the form of reducing sugars, would be classified under tariff item 13505-1 or 14000-1, depending on the weight of the receptacle and its contents; they would otherwise be entered under item 13600-1 or 13650-1.

In Canada, levulose and dextrose are not produced from refined sugar for sale as separate products, mainly because the process of separation is costly. "Glucose" is a name which is often applied to dextrose. In their pure forms, glucose and dextrose are the same. However, "Commercial glucose or starch sugar is a mixture of glucose with other substances, obtained by hydrolysis of starch or wood cellulose. The composition of this mixture depends on the conditions of manufacture, but as well as the dextrose (pure glucose), it always contains maltose and dextrin in varying proportions. It may be marketed in the form of cakes or lumps or as a viscous syrup. Though less sweet than ordinary sugar, it is used largely in the manufacture of confectionery, syrups, ... jams, caramel, etc." (B.T.N. Explanatory Notes, 17.02) There is a market in Canada for dextrose, or liquid dextrose, but this market is served by corn products. If imported, dextrose or glucose products derived from corn would enter under tariff item 13900-1, which is outside the terms of this Reference.

Solutions of either pure dextrose or levulose are used in medical practice. If imported for parenteral administration in therapeutic treatment, such preparations and the component materials and articles to be used in making such preparations, enter Canada duty-free under item 20625-1; this item also is beyond the terms of this Reference.

A syrup for table use, called "golden syrup" or "refiners' syrup", is sometimes produced by refineries; it is composed of a mixture of sucrose and invert sugar. In Canada, this product is manufactured only by the British Columbia Sugar Refining Company, in its Vancouver cane refinery. A similar product, made in Britain by Tate and Lyle Limited, is marketed in Canada by Canada and Dominion. Canadian regulations specify that golden syrup or refiners' syrup shall contain not more than 35 per cent moisture and 2.5 per cent sulphated ash. The remaining 62.5 per cent would consist entirely of sucrose and invert sugar and, therefore, would be entered under items 13505-1 or 14000-1, depending upon the weight of the container and contents, in which imported.

According to the regulations under the Food and Drugs Act, (B. 18.010), table molasses

"(a) shall be the liquid food obtained in the process of manufacturing raw or refined sugar;

(b) may contain sulphurous acid or its salts;

(c) shall contain not more than

(i) 25 per cent moisture, and

(ii) 3 per cent sulphated ash."

At one time, the product was produced in Canada, but this, apparently, is no longer the case. If imported, it would probably be entered under item 13505-1 or 14000-1; it would qualify for entry under item 13700-1 if the method of its production met the requirements of that item.

A somewhat similar product is designated as "fancy molasses" in the Canadian regulations and is often referred to, in trade, as "edible molasses" and "Barbados molasses". Canadian regulations require that the term "fancy molasses" shall be applied to "the syrupy food obtained by the evaporation and partial inversion of the clarified or unclarified sugar cane juice from which sugar has not been previously extracted ..." (B. 18.009) Therefore, the product is actually a syrup and not a molasses. If imported for human consumption only, it would be classified under item 13700-1. It is unlikely to be imported for non-human consumption; if it were, it would be entered under item 13505-1 or 14000-1.

All of the products described above are intended for human consumption. Molasses, the by-product of the production of both cane and beet sugar, is ordinarily not for human use; in Canada it is used, almost entirely, as a constituent of animal feeds and in the production of yeast or alcohol.

The regulations under the Food and Drugs Act, B. 18.011, define molasses for use as a food, as follows.

"Refiners' Molasses, Blackstrap Molasses or Cooking Molasses

(a) shall be the residual liquid food obtained in the process of manufacturing raw or refined sugar;

(b) may contain sulphurous acid or its salts;

(c) shall contain not more than

(i) 25 per cent moisture, and

(ii) 12 per cent sulphated ash."

The regulations do not distinguish between molasses obtained in a sugar mill from the production of raw cane sugar, and the final molasses of cane sugar refineries or beet sugar factories; the Customs Tariff distinguishes between cane and beet molasses in items 13600-1 and 13650-1, when the total of reducing sugars after inversion is less than 71 per cent of the total solids by weight. A very large proportion of the blackstrap molasses used in Canada is imported. Molasses is discussed in some detail in a later section of this report.

A group of sugars, for human consumption, which are not made in Canada, are known by such names as "plantation white sugar", "mill white sugar" and "turbinados". These are high polarization sugars whose sucrose content is only slightly less than that of the refined sugar sold in Canada and whose colour is not quite as white as that of refined white sugar. Canadian regulations, under the Food and Drugs Act, make no specific provisions for such sugars. However, the recommended standards for white sugar of the joint FAO/WHO Codex Alimentarius Commission provide for such products; the recommended standards for white sugar and plantation white are compared below, for the principal specifications which differ.

	<u>White Sugar</u>	<u>Plantation or Mill White Sugar</u>
Polarization ^(a) , not less than	99.7°S	99.5°S
Invert sugar, not more than	0.04%	0.10%
Conductivity ash, not more than	0.04%	0.10%
Colour, in ICUMSA ^(b) units, not more than	60	150

(a) "degrees S" indicates that the readings apply to a solution of sucrose

(b) International Commission for Uniform Methods of Sugar Analysis

The specifications for plantation whites also allow the presence of slightly higher levels of food additives and contaminants.

The "degrees S" in the recommended standards corresponds with the degrees polarization as specified in existing tariff items 13400-1 and 13500-1; the "S" signifies that the polarization reading applies to a solution of sucrose. A polarimeter which is calibrated in degrees S is known as a saccharimeter; a polarimeter which is calibrated for more general use would require a table to convert the degrees rotation of a beam of light by a solution of sucrose to degrees polarization of such a solution.

As the table indicates, the difference between the minimum sucrose content of white sugar and of plantation white sugar is only 0.4 per cent; in a hundredweight of sugar this difference would be only 3.2 ounces. The maximum allowable content of additives and contaminants is much less than even this small amount, for both types of sugar. Thus, although a product which is sold as white sugar under the recommended standards would be very pure and very white, plantation white sugars which exceeded the minimum specifications of the recommended standards would be almost impossible to distinguish from "white sugar" except by chemical and physical analysis in a laboratory. Also, because both kinds of sugars would have to be produced in accordance with certain standards of hygiene, they would be equally safe from the standpoint of health.

At the present time Canadian regulations make no separate provision for sugars such as plantation white sugar, for direct consumption; if imported for such use these sugars would be entered under item 13400-1. Existing Canadian regulations prohibit the use of these sugars in the production of the products for which the standards specify that "sugar", that is, a product containing not less than 99.8 per cent sucrose, shall be used in their manufacture.

THE CANADIAN SUGAR REFINING INDUSTRY

In 1969 there were six cane sugar refineries and four beet sugar factories in Canada;

Atlantic Sugar Refineries Co. Limited	Saint John, N.B.
Canada and Dominion Sugar Company Limited	Montreal, Que.
Cartier Sugar Limited	Montreal, Que.
St. Lawrence Sugar, Limited	Montreal, Que.
Canada and Dominion Sugar Company Limited	Toronto, Ont.
British Columbia Sugar Refining Company Limited	Vancouver, B.C.
La Raffinerie de Sucre de Quebec ^(a)	St. Hilaire, Que.
Manitoba Sugar Company Limited ^(a)	Winnipeg, Man.
Canadian Sugar Factories Limited ^(a)	Picture Butte, Alta.
Canadian Sugar Factories Limited ^(a)	Taber, Alta.

(a) Beet sugar factory

In the customary language of the trade, an establishment which produces beet sugar is usually described as a "factory" and one which refines raw cane sugar as a "refinery". Because beet sugar factories produce refined sugar, for convenience, establishments of both types may be referred to as refineries, in this report, and the aggregation of all the establishments of both types as the "Canadian sugar refining industry".

Two establishments, classified by the DBS as sugar refineries, are neither sugar refineries nor sugar factories, in the usual sense of the words. Both Nulomoline Ltd. and La Société Française de Spécialités Alimentaires are engaged in the production and marketing of liquid and invert sugar, using refined sugar as the principal raw material. Because the input of these firms is a part of the output of sugar refineries, the addition of their output to that of their suppliers, necessarily involves double counting. However, this does not appear to be of practical importance, because the production of these two companies is not large enough to affect the output of the industry significantly. Nulomoline Ltd., is a division of Grandma Molasses Limited, a wholly owned subsidiary of the SuCrest Corporation, a U.S. company. La Société Française de Spécialités Alimentaires is an affiliate of St. Lawrence Sugar Limited; since 1970, the name of the company has been changed to the House of Paris Pâté.

Some of the listed sugar refining companies are wholly or partially owned subsidiaries of other companies. Canada and Dominion Sugar Company Limited (C. & D.) submitted documentation indicating that, as of September 30, 1969, the company was owned to the extent of 56.42 per cent by Tate and Lyle Limited, of London, England; Cartier Sugar Limited is owned, to the extent of over 90 per cent of its shareholding, by Steinberg's Limited. The Manitoba Sugar Company Limited, Canadian Sugar Factories Limited and the British Columbia Sugar Refining Company Limited are all wholly-owned subsidiaries of B.C. Sugar Refinery, Limited; thus, only five separate

companies operate cane sugar refineries in Canada: Atlantic, Cartier, C. & D., St. Lawrence and B.C. Sugar; one of these, B.C. Sugar Refinery, also operates three beet sugar factories in western Canada. The St. Hilaire beet sugar factory is owned and operated by the Government of Quebec.

The refining and marketing of sugar is the major activity of all of the companies, but some engage in other activities as well. Canada and Dominion Sugar Company Limited, in its 1968 annual report, noted that in the previous year a program of diversification was launched, to "provide a broader base for future development of the company"; this diversification program has resulted in the acquisition by the company of the Daymond group of companies, engaged in the production of processed and extruded aluminum and plastic products. Atlantic Sugar Refineries Co. Limited, through subsidiary companies, is engaged in the production of wood pulp, and in the taking and processing of groundfish and tuna. The B.C. Sugar Refinery Ltd. made arrangements in June 1970 to purchase a majority interest in Belkin Packaging Ltd., a firm engaged in the production of folding cartons and corrugated boxes.

Besides their refining facilities, the sugar refining companies own or lease warehouses for the storage of raw sugar, and for storing, packaging and distributing refined sugar products. Except for Cartier, all the cane sugar refineries and their associated raw sugar warehouses are located on sites capable of receiving ocean-going freighters; Cartier is located very close to the St. Lawrence Seaway. The Vancouver and Saint John refineries are located at year-round ports; Montreal and Toronto refineries are at St. Lawrence or Seaway ports, and, therefore, require somewhat larger warehouse facilities than do the coastal refineries, for the storage of their winter requirements of raw sugar.

In addition to the production of granulated white sugar, cube and pulverized sugar, the cane refineries, except for Cartier and the Toronto plant of C. & D., also produce soft sugars; all of the refineries produce liquid or invert sugar. Because beet sugar factories produce no soft sugars, it follows that there is no production of these products between Montreal and Vancouver.

In most instances distribution facilities include company-owned trucks for the delivery of refined sugar products and tank trucks for the delivery of sugar syrups to industrial consumers.

All refineries produce molasses as a by-product of their sugar production. Molasses produced by cane sugar refineries is referred to as "refinery blackstrap" or "final molasses"; molasses produced in beet sugar factories is usually designated as "beet molasses".

Most of the existing cane sugar refineries have long histories of operation on their present sites. Only Cartier Sugar Limited, which began operations in 1964, and the Toronto plant of Canada and Dominion, which was opened in 1959, commenced operations since the first world war. It was stated at the hearing that age did not imply obsolescence, because the equipment used in the older plants was continuously being updated or replaced. (Vol. 2, p. 252)

Production Processes

The basic function of a cane sugar refinery or a beet sugar factory is to produce granulated, white sugar. The principal difference between the processes of cane refineries and sugar beet factories is that the former begin their processing operations with raw cane sugar, a partially manufactured raw material, whereas the latter begin with sugar beets, which must first be made into a concentrated sugar syrup which corresponds, roughly, to the sugar-content of raw cane sugar. The final processing operations of cane and beet sugar refineries are essentially the same. In Europe, where beet sugar production is much more important than in North America, raw beet sugar for further processing competes, to some extent, with raw cane sugar.

Cane Sugar Processes

The plant of C. & D. at Toronto, which began operations in 1959, is the newest, large, cane sugar refinery in Canada. The description of the various steps in the refining process which follows relates mainly to this refinery, but would be similar in all other Canadian cane sugar refineries, although some details of the operations would be different.

Raw cane sugar is unloaded from ships by very large unloading cranes and is carried on a belt conveyor into the weigh house and thence into the raw sugar shed. When required for processing, the raw sugar is pushed into openings in the floor of the shed, by small tractors, for conveyance to the process building. The raw sugar is weighed in batches of about 1,800 pounds and is discharged into a large vat-like vessel called an "affination mingler". At the same time, affination syrup from an adjacent tank is added automatically. The syrup dilutes the molasses film which coats the raw sugar crystals to permit the removal of the film in subsequent processing.

From the mingler, the thoroughly mixed semi-liquid mass, the magma, is poured through heaters into a battery of automatic centrifugal machines which spin off the affination syrup and associated syrupy film leaving raw sugar crystals. The crystals are spray washed with water and the pale yellow mass is conveyed to a melter where steam and hot water are used to dissolve the raw sugar and produce a brownish yellow "liquor".

The "liquor" is filtered through straining screens to remove the larger insoluble impurities and is then mixed with milk of lime in large saturator tanks. Carbon dioxide is piped through the mixture and the chalk, which is formed by the reaction of the milk of lime with the carbon dioxide, traps impurities. This process is known as "carbonatation". The partly cleaned liquor is now passed through pressure filters, which remove waxes, gums, and most of the other impurities and is then piped to the char house where the remaining impurities are adsorbed in "mammoth charcoal-filled tanks". The liquid which is drawn off from these tanks is a clear, colorless solution known as "fine liquor"; it is the liquid sugar which is supplied to some industries.

The processing of the fine liquor to crystallize the sugar contained in it requires boiling in vacuum pans for two hours at 170°F. to evaporate most of the water. Boiling under vacuum is to prevent caramelization of the sugar. At a precisely correct moment of crystal formation, the "strike", or batch, of sugary liquid (the massecuite) is "dropped" and drained into centrifugals. The massecuite syrup is spun away from the sugar crystals which are then washed, leaving pure, white, refined, granulated sugar. The crystals are dried in large, revolving tanks known as "granulators" in which all but .01 to .02 per cent of moisture is removed.

The massecuite, or mother liquor, which is spun away from the sugar crystals by the centrifugals, contains a high percentage of sucrose. It is re-boiled in the vacuum pan two or three times to obtain maximum extraction of sucrose. The final massecuite is the "final molasses" or "refiners' molasses" of cane sugar refineries.

After screening for size and grade the crystals are conveyed to storage silos or directly to the packaging building where sugar is automatically weighed into packages and bags. The packaged sugar is stored in a warehouse for shipment.

The "dirty" affination syrup, discharged from the centrifugals which follow the affination mingler, is also cleaned. After appropriate filtration some is recycled to the affination mingler and some to the raw sugar melter.

In some companies' processes, soft sugars are produced from the dark-colored liquors obtained after char filtration of affination syrup. These colored syrups are boiled in vacuum pans and are centrifuged after boiling. However, they are not washed in the centrifuge but are allowed to retain some syrup on the crystals by regulating the centrifuging process to give the desired color. The very small size of soft sugar crystals gives them their characteristic soft texture, while the retained syrup accounts for their color and flavor.

The above is only an outline of the processes by which the principal products of cane sugar refineries are produced. Some of the processes involve more than one stage and there can be many variations between the processes of individual refineries in the kind of equipment used, the way in which clarification and filtration is carried out, the kind of organic filtration material used (bone char or vegetable char) and so on. However, the principal stages described above would be similar in all of the cane sugar refineries. Indeed, the processes which follow pressure filtration are much the same in both cane sugar refineries and beet sugar factories.

The processes to which raw cane sugar is subjected in a particular cane sugar refinery are the same regardless of the polarization of the raw sugar. Where a sugar refinery uses a raw sugar of high polarization (approaching 99°) the principal effect compared with the use of a raw sugar with a polarization, for example, of 97°, is that the throughput per unit of time is much greater for higher polarization raw sugar.

In effect, the capacity of a cane sugar refinery, in terms of granulated white sugar, can be varied significantly by the choice of raw sugar of different polarizations. The principal limitation for Canadian cane refineries, in this respect, is that Commonwealth Caribbean raws, about 11 to 22 per cent of their raw sugar purchases in recent years, are generally of relatively low polarizations. A secondary consideration, of gradually declining importance, is that raw sugars of very high polarizations may not yield sufficient molasses for the production of the required amounts of soft sugars.

Beet Sugar Processes

The processing of sugar beets is similar in all of the Canadian sugar beet factories. The following description applies to the operations of Canadian Sugar Factories Limited at Picture Butte and Taber, Alberta; the numbers in brackets relate to the corresponding operations shown in figure 1.

Beets are received at the factory by truck or railway. The former are put into storage piles to be used when rail shipments are not available; the latter are processed as the cars are unloaded at the wet hopper (1).

All beets are moved into the factory through the flumes by a jet stream of warm water (2). The water washes off adhering soil and, at the same time, special equipment removes rocks and weedy trash.

Before entering the washer (3) the beets are lifted out of the dirty flume water by the beet wheel. The partially cleaned beets go into the washer and are agitated and scrubbed, using clean water. On leaving the washer, the beets are rinsed with jets of clean water as they travel over the "roller table".

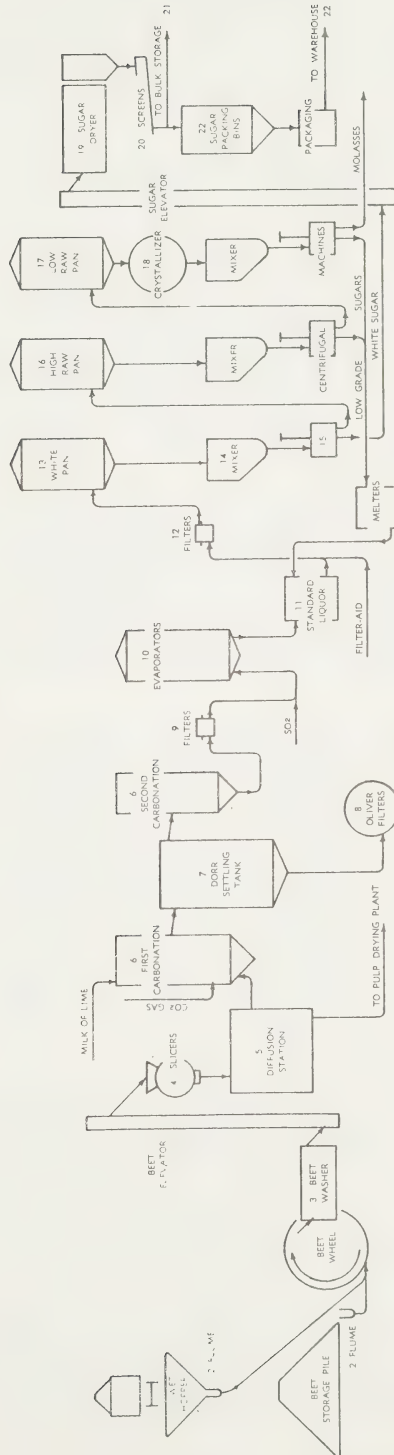
The washed beets travel by elevator to a bin which feeds the slicers (4). Here rotating knives slice the beets into long thin shreds called "cossettes", which look like "shoe-string potatoes".

The cossettes enter the bottom end of the sloped continuous diffuser (5). Hot water, applied at the top end, passes through the cossettes and extracts the sugar along the way; the solution contains 14 per cent sugar as it leaves the diffuser and is known as "raw juice".

The exhausted cossettes, containing practically no sugar, are discharged from the top end of the diffuser and are known as "pulp". The pulp is pressed, dried and pelleted after adding about 30 per cent molasses by weight and is sold to cattle feeders and feed manufacturers.

In addition to sugar, the raw juice contains many other soluble substances which must be removed before pure sugar is obtained. The primary purification is done by adding milk of lime and carbon dioxide in the carbonators (6), which causes the precipitation of many of the impurities. This precipitate is heavier than the juice and it is first separated by allowing it to settle in a settling tank (7). The heavy sludge coming out of the bottom of the Dorr tank is

Figure 1: Diagram of Beet Sugar Production Processes,
Canadian Sugar Factories Ltd., at Picture
Butte and Taber, Alberta



filtered in vacuum filters (8). The filtrate is returned to process and the lime cake containing the impurities is discarded. The clear overflow from the Dorr settling tank passes to the second carbonation.

The second carbonation juice is passed through filter presses (9) to remove all insoluble matter and is treated with sulphur dioxide to obtain further purification before being concentrated in the evaporators (10). The juice entering the evaporator contains about 14 per cent solids and 86 per cent water; evaporation increases the concentration to about 65 per cent solids and this material is called "thick juice".

Remelt sugars are added to the thick juice to make "standard liquor" (11) which is press-filtered (12) using "filter-aid". The product leaving the filters is a clear, golden-colored solution.

The sugar is recovered by crystallization in the "white vacuum pans" (13). Here, the concentration of the standard liquor is increased by evaporation, until the sugar starts to crystallize. The crystals are made to grow by concentration and further additions of standard liquor, until the vacuum pans are full of crystals of the right size, suspended in syrup. This mixture is known as "massecuite" and is then dropped out of the pan to the mixer (14) and centrifugal machines, or spinners (15).

A "spinner" is a large circular basket, suspended on a shaft and rotated at high speed. The baskets are filled with massecuite and the centrifugal force, created by the spinning, forces the syrup out through the perforated sides, leaving a thick layer of sugar inside. This is sprayed with hot water to remove the last of the syrup and, when the machine stops, the pure, white sugar can be seen for the first time.

The syrup spun from these machines still contains a large amount of sugar, so it is returned to another set of vacuum pans, "high raw" (16), where the crystallization process is repeated. However, the sugar made here is not good enough to be sold, so it is "melted" with thin juice and added to the standard liquor (11). The syrup obtained by spinning this high raw massecuite in automatic continuous machines is further concentrated in the "low raw" pan (17), but the non-sugar materials present slow down the crystallization so much that the massecuite must be cooled for several hours in crystallizers (18) before spinning. This last centrifugal operation produces another remelt sugar to be added to standard liquor, and molasses, the end product of the process.

The white sugar plowed from the centrifugal machines still contains up to one per cent moisture which is removed by passing through a sugar dryer or granulator (19). Here the sugar enters a rotating drum where warm air is blown through it to remove practically all the water. After drying, the sugar goes over screens (20) to remove the very coarse and very fine crystals, so that a product having a pleasing uniform texture and a sparkling white appearance is obtained.

The finished sugar is put into bulk storage silos, to be packed as required, or may go directly to the packing house where a number of packing machines are used to fill, weigh and close the various packages which are available to the consumer.

Soft sugars are not produced by beet sugar factories because the beet syrup, which corresponds to char-filtered, affination cane syrup, has an unpleasant taste which makes it unsuitable for this purpose.

No raw beet sugar is sold by Canadian beet sugar factories for industrial use or further processing; in all four factories, the process is carried through to the refined sugar stage. This is not the case in all countries; in Europe there is a trade in what is variously described as "beet raws" or "beet whites". This partly refined beet sugar is sometimes used in this form or it may be purchased by a refinery for further processing. Indeed, some beet raws of U.S.S.R. origin were acquired by a Canadian refinery, in 1970, for refining purposes.

Structure of the Industry

As the description of the refining processes suggests, the sugar refining industry is capital-intensive and large investments in buildings and equipment are required to establish a cane sugar refinery or beet sugar factory. This is also clear from comparisons of the sugar refining industry with others which are known to be both capital- and labor-intensive.

A common measure of the labor intensiveness of an industry is the proportion that costs of labor constitute of the value added by manufacturing activities; this is the basis of the comparisons below. In capital-intensive industries, labor costs are a relatively small part of the value added by manufacturing; in labor-intensive industries, a large part of the value added is created by labor and, therefore, labor costs are a large part of the value added.

Table 2: Comparison of Statistics Relating to Manufacturing Activity, Sugar Refining and Other Selected Industries, 1969

	<u>Sugar Refining</u>	<u>Tobacco Products</u> ^(a)	<u>Petroleum Refining</u> ^(a)	<u>Veg. Oil Mills</u>	<u>Leather</u> ^(a) <u>Tanning</u>	<u>Leather</u> ^(a) <u>Gloves</u>
		-	million dollars	-		
Wages	14.7	38.4	57.1	2.5	13.7	4.6
Materials & supplies	113.3	175.2	1,350.1	85.3	40.8	8.4
Total inputs	131.0	215.0	1,424.8	89.2	55.7	13.1
Value of shipments	174.8	345.7	1,661.3	101.1	66.6	16.4
Value added ^(b)	65.5	174.9	293.4	14.2	25.2	8.3
		- per cent	wages of value added	-		
	22.5	22.0	19.5	18.0	54.3	55.0

(a) Preliminary

(b) Value added = value of shipments less the cost of inputs (excluding labour) adjusted for changes in the value of inventories

Source: Various publications, 1969 Annual Census of Manufactures

Using the above basis of comparison, it is apparent that the sugar refining industry is less capital-intensive than the petroleum refining industry but is much more so than the leather tanning and leather glove industries. The sugar refining industry resembles the capital-intensive industries in other respects as well. For example, in all of these industries the principal raw materials are a very large part of total operating costs and all have relatively few establishments and companies, in relation to the value of their shipments.

The sugar refining industry employed 2,254 persons, in 1969, in manufacturing activities and approximately 3,000 in total. The number of employees engaged in manufacturing activities has declined between 1958 and 1969, in spite of the addition of two new cane refineries, C. & D., at Toronto and Cartier, at Montreal, and an increase in production, in this period, of 526 million pounds of sugar and its products, a rise of 32 per cent. The number of man-hours used in manufacturing has also declined during the 1960's suggesting the displacement of labour by machinery and equipment. Although the number of 'other' employees increased somewhat, during the 1960's, the increase was small. The C. & D. beet sugar factory at Chatham, Ontario ceased operations in 1968; its closing would affect some of the changes noted.

As would be expected, average hourly wages rose during the 1960's, as did average salaries and total wages and salaries. However, because of the reduction in numbers of employees and man-hours in manufacturing activities, total wages and salaries rose by less than either hourly wages or wages per employee.

Table 3: Employment, Wages and Salaries in the Sugar Refining Industry, Selected Years, 1961-69

	Production & Related Workers	Man- Hours Paid	Wages	Wages per Hour	Total Employees	Total Wages & Salaries
	no.	'000	\$'000	\$	no.	\$'000
1958	2,657	..	9,548	..	3,270	12,673
1961	2,457	5,409	9,842	1.82	3,151	14,286
1963	2,466	5,453	11,078	2.03	3,163	16,234
1965	2,392	5,360	11,244	2.10	3,192	17,197
1967	2,365	5,050	12,676	2.51	3,129	18,512
1968	2,416	5,103	14,529	2.85	3,149	20,505
1969	2,254	4,769	14,724	3.09	2,978	20,985

Source: DBS, Cat. No. 32-222

The principal output of Canadian cane refineries and beet sugar factories is granulated white sugar, most of which is sold as such and part of which is marketed as products such as cube sugar, pulverized sugars (icing, dessert) and solutions of sugars. Part of the output of granulated white sugar is also converted into invert sugar, usually by treatment with dilute acid. Invert sugar is almost invariably sold as a solution, usually in a mixture with liquid sugar. The output of the industry's principal products is given below, but the division between beet and cane products is reported only for

granulated white sugar and for total products. However, soft sugars (brown and yellow) are produced only by cane refineries and the Board was informed that beet sugar is little used to produce liquid sugar or invert sugar.

An examination of the table indicates that granulated white sugar accounted for 74 per cent of the total quantity shipped, in 1969, and 73 per cent of the value, exclusive of by-products. However, a smaller proportion of the output of cane refineries was sold in this form (71 per cent) and a substantial part (about 23 per cent) was sold in liquid forms. Beet sugar is sold, almost entirely, as granulated white sugar: in 1969, 95 per cent of the quantity and 94 per cent of the value, of beet sugar shipments. Although the table covers only the latest five years available, it is apparent that, in spite of increasing population and income, the Canadian demand for cube sugar and soft sugars (yellow and brown) is declining, but that the demand for liquid and invert sugars is increasing fairly rapidly.

Table 4: Shipments of Principal Products of the Sugar Refining Industry, 1965-69

Products	1965	1966	1967	1968	1969
	million pounds				
Granulated:					
beet	..	245	269	253	232
cane	..	1,350	1,296	1,341	1,339
total	1,546	1,595	1,565	1,594	1,571
Loaf & cube	13	13	12	12	12
Liquid & invert	189	231	260	316	316
Icing (a)	97	99	100	103	106
Yellow & brown	136	127	128	129	125
Total above	1,981	2,065	2,065	2,154	2,131
Total cane	1,654	1,789	1,762	1,867	1,888
Total beet	327	276	303	287	243
By-products					
Molasses	143	146	144	131	138
Beet pulp (b)	164	147	166	154	138
	value in million dollars				
Total beet	23.6	19.3	21.2	20.1	20.5
Total cane	123.5	120.9	120.0	130.2	153.5
Total beet & cane	147.1	140.2	141.2	150.3	174.0
Granulated white	113.1	106.1	105.4	109.1	126.5
Liquid & invert	13.7	15.0	17.0	21.1	24.4
Yellow & brown	10.7	9.9	9.7	10.3	11.7
Other products	9.6	9.3	9.2	9.8	11.4
By products	5.7	5.6	6.4	6.1	5.4

(a) Includes other pulverized sugar

(b) Includes dried beet pulp with molasses added

Source: DBS, Cat. No. 32-222

Operating Costs of Cane Sugar Refineries

Raw sugar accounts for some 70 to 90 per cent of the operating costs of cane sugar refineries, depending on the level of world prices of raw sugar. In 1963, when world prices were high, raw cane sugar was 87 per cent of the total operating costs of Canadian cane refineries; in 1968, when prices were low, costs of raw sugar used were only 72 per cent of the total. It is because raw sugar is such a large proportion of the total operating costs, even when its price is low, that the refiner's margin is a significant measure of the performance of the cane sugar refining industry. (The refiner's margin is taken to be the difference between the selling price of refined sugar and the cost of an equivalent amount of raw sugar.) However, the inclusion of costs of raw sugar in an analysis of the distribution of operating costs would distort the ratios of other operating costs to the total, whenever prices of raw sugar changed. To avoid such distortions, the following analysis of operating costs omits costs of raw sugar. In effect, the analysis pertains to that part of the actual refiner's margin which is not accounted for by fixed costs and profits.

These specified operating costs of Canadian cane refineries account for approximately one-third to one-half of their refiners' margins; these proportions vary regionally and between individual refineries. In the four years, 1966-69, for which sufficient detail is available, the average of these costs was between \$1.18 and \$1.58 per 100 pounds of all refined cane products. A summary of the averages is given below.

Table 5: Average Operating Costs^(a) of Canadian Cane Sugar Refineries, 1966-69

	Materials Other Than Raw Sugar	Fuel & Electricity	Wages & Salaries	Total Oper. Costs ^(a)
	\$ per 100 lbs. all refined products			
<u>Canada</u>				
1966	.481	.115	.713	1.309
1967	.481	.112	.757	1.351
1968	.454	.116	.802	1.372
1969	.458	.109	.816	1.383
<u>Montreal Refineries</u>				
1966	.516	.130	.845	1.491
1967	.506	.130	.951	1.586
1968	.465	.133	.957	1.555
1969	.466	.122	.987	1.576
<u>Other Refineries</u>				
1966	.455	.105	.618	1.178
1967	.464	.100	.623	1.187
1968	.445	.103	.681	1.229
1969	.452	.099	.687	1.238

(a) Excluding the cost of raw sugar

Source: Derived from DBS data

Wages and salaries range from about 52 to 63 per cent of the total operating costs, exclusive of raw sugar; costs of materials and supplies, other than raw sugar, account for 30 to 39 per cent of the total. The remaining eight to nine per cent is accounted for by the costs of fuel and electricity. Wages and salaries include salaries of office and sales staff as well as wages of employees engaged in production processes. The principal materials and supplies, included in the data, are the containers used for packaging refined sugar and other products (58 to 60 per cent of the cost of materials) and maintenance materials and supplies (27 to 30 per cent of costs of materials); filtration materials, mainly bone char, and all other materials, each accounts for about six per cent of the total costs of materials and supplies used by the Canadian cane refineries, excluding raw sugar.

The three refineries not located at Montreal, taken together, have significantly lower average operating costs than the three Montreal refineries. For the four years considered, the differences in average operating costs between the Montreal and the other refineries range from 31¢ to 40¢ per 100 pounds of refined production. The differences between individual refineries is much greater and, in 1969, the difference between the lowest and highest costs reported by individual refineries amounted to about \$1.00 per 100 pounds of all refined cane sugar products produced.

Four of the six Canadian cane sugar refineries are located in the two largest cities in Canada: three in Montreal and one in Toronto. Their operating costs are less likely to be affected by regional differences in prices of materials or wage rates. One of the four, Cartier, is the smallest cane refinery in Canada, but the other three, St. Lawrence, C. & D. Montreal and C. & D. Toronto, are probably not so different in terms of annual output that this factor should result in significant differences in unit costs. If economies of scale have an important effect on these costs, then Cartier should have the highest costs, but there appears to be little relationship between the volume of annual output and operating costs. However, one of the four refineries incurs the highest costs per unit of output fairly consistently and another incurs relatively low unit costs, though not so regularly.

Table 6: Differences in Operating Costs per Unit of Total
Output of Four Central Canadian Cane Sugar Refineries,
1966-69

	Difference in Unit Cost of Output, Lowest to Highest			
	Materials Other Than Raw Sugar	Fuel & Electricity	Wages & Salaries	Total Oper. Costs
	\$ per 100 lbs. all refined products			
1966	.222	.081	.305	.496
1967	.318	.085	.606	.825
1968	.317	.083	.450	.750
1969	.259	.072	.448	.567

Source: Derived from DBS data

The differences in unit costs of the four refineries are large by any standards; they are very large when consideration is given to the more or less homogeneous market in which they purchase supplies and materials (other than raw sugar), fuel and electricity, and in which they hire production workers, and office and sales staff. As noted, one of the four refineries incurs the highest costs, fairly consistently; considering its disadvantage relative to the low-cost refineries of around 50¢ to 83¢ per 100 pounds of refined product, it would be incurring very large losses unless the low-cost refineries were taking correspondingly large profits. Based on the average output of Canadian refineries, in 1969, the difference of 56.7¢ per hundredweight, in 1969, would represent \$1.8 million in earnings to an average refinery.

Profits of Cane Refineries

Profits and fixed costs are the two other components which, together with operating costs, make up the refiner's margin. Information was given to the Board by every Canadian refinery regarding profits arising only out of the refining operations of each refinery. These data were used to calculate the profit before income tax, per 100 pounds of total refined cane production, for the three years 1967, 1968 and 1969. A summary of the various components of the refiner's margin is given below.

Table 7: Component Parts of the Actual Refiner's Margin,
on All Products, 1967-69

	<u>Operating Costs</u>	<u>Total Costs (a)</u>	<u>Profits (b)</u>	<u>Refiner's Margin</u>
	\$ per	100 lbs. refined product		
<u>1967</u>				
Canada	1.35	2.27	1.19	3.46
Mtrl. Refiners	1.59	2.24	0.86	3.10
Others	1.19	2.30	1.42	3.72
<u>1968</u>				
Canada	1.37	2.13	1.35	3.48
Mtrl. Refiners	1.55	2.31	1.04	3.35
Others	1.23	2.00	1.58	3.58
<u>1969</u>				
Canada	1.38	2.37	1.43	3.80
Mtrl. Refiners	1.58	2.46	0.98	3.44
Others	1.24	2.30	1.77	4.07

(b) Before income tax

(a) Excluding cost of raw sugar

As in the other comparisons given, profits also show large regional differences, the refineries not located at Montreal reporting much larger unit profits than those at Montreal. In the three years for which these comparisons could be made, profits of the 'other' refineries were larger than those of the Montreal refineries by about

50¢ to 75¢ per 100 pounds of refined product. In the context of the average sales of a Canadian refinery, of more than three million hundredweight per year, a difference of 50¢ profit per hundredweight, represents a difference in total profits of more than \$1.5 million. As in the other comparisons, the differences between individual refineries were much larger than between the regional groups shown in the table. Also, as before, certain refineries regularly obtained much higher profits per unit than others.

In a relatively homogeneous competitive market, selling prices would vary within a narrow range and unit returns to refiners would tend to be similar. In such a market high costs would be associated with small profits. It is evident that total unit costs are not closely related to either the profits or margins given in the preceding table, as the following clearly shows.

Table 8: Differences, 'Other' Refineries Minus Montreal Refineries

	<u>Total Costs</u> (a)	<u>Profits</u>	<u>Refiner's Margin</u>
	cents per 100 lbs. refined product		
1967	+ 6	+56	+62
1968	-31	+54	+23
1969	-16	+79	+63

(a) Excluding costs of raw sugar

In 1967, the unit costs of refineries other than those at Montreal were slightly higher than those of the Montreal refineries but their average profits were 56¢ per hundredweight higher; in 1968, unit costs of the other refineries were 31¢ lower, a change of 37¢ per hundredweight, but the profit margin was about the same. The lack of correspondence in the relationship is also clear in 1969, when unit costs of the two groups of refineries were again fairly close to each other, as in 1967, but unit profits of the other refineries relative to those at Montreal, were very much greater than in either of the other two years. It is apparent that there is as little relationship between unit costs and the refiners' margins. The relationship between costs and profits is not much closer when the four central Canadian refineries, alone, are examined. In 1967, the refinery with the highest unit profits also had the lowest unit costs but in 1968, the highest unit-profit refinery had almost the highest costs of the four.

THE MARKET

In recent years, the Canadian market has absorbed more than two billion pounds of refined sugar annually, valued at about \$150 million. Most of this sugar has been refined in Canada and, in most years, Canadian refiners have supplied more than 99 per cent of Canadian consumption. Exports of refined sugar are ordinarily much larger than imports and were almost eleven times the quantity imported in the five years, 1966-70.

Table 9: Apparent Consumption of Refined Sugars, 1960-70

	Production			Imports	Exports	Apparent Consumption ^(a)
	Beet	Cane	Total			
			-	million pounds	-	
1960	308	1,426	1,735	0.6	7.6	1,662
1961	258	1,378	1,636	8.5	16.1	1,649
1962	286	1,503	1,789	2.4	22.9	1,745
1963	309	1,533	1,842	15.6	107.9	1,708
1964	329	1,539	1,869	27.2	31.0	1,913
1965	311	1,674	1,984	1.7	37.1	1,961
1966	289	1,767	2,056	3.0	33.6	2,031
1967	302	1,771	2,073	6.0	42.6	2,047
1968	240	1,868	2,107	6.4	48.1	2,113
1969	272	1,899	2,171	0.8	32.3	2,096
1970 ^(b)	227	2,000	2,227	1.4	30.0	2,151

(a) Takes account of changes in stocks held by refiners

(b) Preliminary

Source: DBS, Cat. No. 32-222, 32-013

During the past decade, consumption has varied between about 90 and 102 pounds per person and in the past few years it has been relatively stable at approximately one hundred pounds per person. Increases in Canadian production have been roughly equivalent to population growth, in recent years. Production, at 101 to 102 pounds per person, has been somewhat larger than consumption, because of the small exports.

The production of refined sugar includes granulated white sugar, icing and cubed sugars, brown and other soft sugars, liquid and invert sugars, and refiners' syrup. The volume and value of shipments of these various forms of sugar in 1969 are given in table 1. The quantities of the various types of sugar are given, in that table, in terms of their equivalent as granulated sugar; the actual volume of sales of such products as liquid sugar and refiners' syrup would, of course, be greater than shown because their sugar content is less than that of granulated white sugar. Granulated sugar, which is subsequently made into liquid sugar by the same company, is counted only once. However, as noted earlier, some very minor double-counting is unavoidable in the case of two small firms which purchase granulated sugar from refiners for inversion or for sale as liquid sugar.

As is apparent, granulated white sugar is by far the most important form of sugar produced by Canadian sugar refineries; in 1969, nearly 75 per cent of shipments were in this form. Shipments of granulated white sugar were valued at \$126.5 million in 1969. Sales of liquid and invert sugar are second in importance; liquid and invert sugar are sold only to industrial users. Shipments of soft sugars were valued at almost \$12 million in 1969; a large part of these are sold for home and institutional use and, therefore, about 10 per cent of the market for direct consumption sugar is supplied by soft sugars.

A much larger proportion of the volume of beet sugar than of cane sugar is sold as granulated white sugar. In 1969, 96 per cent of total beet sugar sales and 71 per cent of the volume of cane sugar sales, was in the form of granulated white sugar. In part, of course, this reflects the fact that no soft sugars are made by factories processing sugar beets and, also, the much greater importance of industrial use outside the Prairie Provinces.

Table 10: Refined Cane and Beet Sugar Used by Specified Canadian Industries, 1968

<u>Industry</u>	<u>Quantity</u> million pounds	<u>Per Cent</u> <u>of Total</u>
Soft drink manufacturers	300.3	14.5
Fruit and vegetable canners & preservers	195.8	9.5
Confectionery manufacturers	183.8	8.9
Bakeries	138.8	6.7
Miscellaneous food industries	159.8	7.7
Biscuit manufacturers	88.9	4.3
Dairy factories	77.1	3.7
Breakfast cereal manufacturers	15.1	0.7
Process cheese manufacturers	17.9	0.9
Slaughtering and meat processing	5.8	0.3
Flour mills	11.0	0.5
Wineries	6.8	0.3
Feed manufacturers	6.1	0.3
Pharmaceuticals and medicines	6.6	0.3
Sugar refineries(a)	7.8	0.4
Other industries	<u>5.0</u>	<u>0.2</u>
Total industrial use	1,226.6	59.2
Available for household and institutional use	<u>844.5</u>	<u>40.8</u>
Total apparent consumption	2,071.0	100.0

(a) Establishments classified in this industry which do not produce refined sugar

Historically, sales of sugar at retail, for home use, has been the largest market for sugar in Canada. However, this pattern has been changing for some time and the largest market for Canadian sugar is now the industrial market, represented by such major sugar users as soft drink manufacturers, canners and preservers of fruits and vegetables and manufacturers of confectionery. In 1968, the latest year in respect of which such information is available from the DBS, industrial users accounted for 59.2 per cent of the total consumption of sugar in Canada.

The increase in the share of the market supply taken by industrial users has been accompanied by an increase in the proportion of the total use which is in the form of liquid and invert sugar; these forms are, apparently, being substituted for granulated white sugar and soft sugars by industrial users. Liquid and invert sugar accounted for 14.8 per cent of the volume of shipments of sugar by Canadian refiners in 1969, whereas in 1964, when such data first became available, shipments of liquid and invert sugar were only seven per cent of the total. In this period, 1964 to 1969, the use of liquid and invert sugar increased by 185 million pounds; in the same period the use of granulated white sugar increased by only 72 million pounds. The trends in the industrial use of sugar in its different forms are illustrated in the following table. As the table makes clear, the development of a liquid sugar market among industrial users has been, for the most part, at the expense of white granulated sugar, which, by 1969 supplied less than three-quarters of the market compared with about 85 per cent of total consumption, in 1938.

Table 11: Shipments^(a) of Sugar by Canadian Refineries,
by Kind, Selected Years, 1938-69

	<u>Granulated White</u>	<u>Liquid & Invert</u>	<u>Pulverized & Icing^(b)</u> million pounds	<u>Loaf & Cube</u>	<u>Soft Sugars</u>	<u>Total</u>
1938	889	..	30	4	120	1,043
1948	1,147	..	57	12	142	1,358
1958	1,394	..	82	13	133	1,622
1964	1,499	131	93	13	136	1,872
1965	1,546	189	97	13	136	1,981
1966	1,595	231	99	13	127	2,065
1967	1,565	260	100	12	128	2,065
1968	1,594	316	103	12	129	2,154
1969	1,571	316	106	12	125	2,131
	- per cent of total shipments -					
1938	85.2	..	2.9	0.4	11.5	100.0
1948	84.5	..	4.2	0.9	10.5	100.0
1958	85.9	..	5.0	0.8	8.2	100.0
1964	80.1	7.0	5.0	0.7	7.3	100.0
1965	78.0	9.5	4.9	0.7	6.9	100.0
1966	77.2	11.2	4.8	0.6	6.2	100.0
1967	75.8	12.6	4.8	0.6	6.2	100.0
1968	74.0	14.7	4.8	0.6	6.0	100.0
1969	73.8	14.8	5.0	0.6	5.9	100.0

(a) Prior to 1958 data are for production

(b) Includes fruit sugar

Source: DBS, Cat. No. 32-222

It is evident, from the preceding table, that liquid and invert sugar have accounted for the largest increase in the use of sugar. Liquid invert and other forms of liquid sugar are favoured by many industrial users because of their physical properties and also their convenience in use. For example, many soft drink manufacturers prefer liquid invert to granulated sugar as a sweetening agent, because there is less likelihood of cloudiness in the finished product and, of course, manufacturers of confectionery may use some proportion of invert to avoid crystallization of sugar in confectionery products.

Shipments of pulverized and icing sugars have accounted for a fairly stable proportion of the total, about five per cent. However, shipments of soft sugars, most of which are sold for direct consumption at retail, have been declining in terms of both their quantity and their proportion of the total. This decline is particularly evident in relation to the growth of the Canadian population. As the following table indicates, shipments of soft sugars per person have declined significantly since the second world war.

Table 12: Shipments of Sugar by Canadian Refineries,
per Person, by Kind, Selected Years, 1938-69

	<u>Granulated</u> <u>White</u>	<u>Liquid</u> <u>& Invert</u>	<u>Pulverized</u> <u>& Icing</u>	<u>Loaf &</u> <u>Cube</u>	<u>Soft</u> <u>Sugars</u>	<u>Total</u>
		-	pounds per person	-		
1938 ^(a)	79.7	..	2.7	0.4	10.7	93.5
1948 ^(a)	89.4	..	4.4	1.0	11.1	105.9
1958	81.6	..	4.8	0.8	7.8	95.0
1964	77.9	6.8	4.8	0.7	7.1	97.3
1965	78.7	9.6	4.9	0.7	6.9	100.8
1966	79.7	11.6	4.9	0.6	6.4	103.2
1967	76.7	12.8	4.9	0.6	6.3	101.3
1968	76.8	15.3	5.0	0.6	6.2	103.9
1969	74.6	15.0	5.0	0.6	5.9	101.2

(a) Excludes population of Newfoundland

Source: Derived from DBS, Cat. No. 11-003, 11-502 and 32-222

Although published data on the shipment of liquid or invert sugar first became available only a few years ago, liquid sugar in one form or another has been on the market for at least 45 years, although it has not always been available from Canadian sources. A brief that was submitted in 1930 to the predecessor of this Board (the Advisory Board on Tariff and Taxation) and which formed part of the record of the hearings in that year on Reference 147 -- Invert Sugar Syrups, reported that imports of invert sugar syrups increased from about nine million pounds in 1925 to 28 million in 1929. It was made clear, at that hearing, that very little invert sugar syrup was made in Canada in those years; the Canadian refiners stated that they could not make it as cheaply as it could be imported, under the then existing tariff.

It was shortly after the 1930 hearing and, apparently, as a result of it, that tariff item 13505-1, as it is now numbered, emerged in substantially its present form; the item establishes for sugar syrups rates of duty which are broadly equivalent, in terms of the sugar content of the syrups, to the rates of duty on refined sugar under tariff item 13400-1.

The imports of sugar syrups under discussion at the time of the 1930 hearing had come from the United States, a situation which is not likely to recur in the present world sugar situation; nor are liquid sugar or invert sugar syrup likely to be imported from other countries. The cost of shipping syrups, per unit weight of contained sugar, is such that, in most circumstances, it is cheaper to ship granulated sugar to locations close to points of use and to liquefy the product at such locations for distribution to purchasers. At the public hearing, St. Lawrence Sugar testified that it has a liquid sugar centre in Toronto, to which granulated sugar is shipped in bulk from its Montreal refinery; at the Toronto centre the granulated sugar is liquefied for distribution to Toronto-area customers. (Vol. 3, p. 406) This suggests that, though it costs less to produce liquid than granulated sugar, the lower production costs are, apparently, more than offset by higher shipping costs.

Published statistics are not available regarding the regional distribution of sugar consumption. However, the Board has estimated that about three-quarters of the sugar consumed in Canada is used in the central provinces of Ontario and Quebec, about 20 per cent in the region west of Ontario and the remainder, slightly more than seven per cent, in the Atlantic Provinces. These estimates are based on the assumption that per capita home and institutional use is roughly the same in all parts of Canada and that the consumption of sugar by the major industrial users is related to the value of their shipments. Such an approach is supported by statements made at the public hearing. In its brief, the British Columbia Sugar Refining Company Limited stated that the large industrial consumers of sugars are located mainly in Eastern Canada, that is, Ontario and Quebec, and, as a result, many sugar-containing products sold in western Canada contain sugar produced by the eastern refineries. According to the Board's estimates, Ontario accounted for more than 40 per cent of all sugars consumed in Canada in 1968 and Quebec for about 30 per cent of the total.

Competitive Products

Viewed within the context of the total market for sweetening agents in Canada, sugar is only one of several products, although by far the most important one. The brief of the Canada and Dominion Sugar Company Limited listed five types of products that are regarded as competitive with sugar:

- " (i) Glucose (corn syrup) and dextrose (corn sugar)
- (ii) Non-nutritive chemical sweeteners (cyclamates, saccharin)
- (iii) Food alcohols (sorbitol, mannitol)
- (iv) Fancy molasses
- (v) Honey"

(Vol. 1, p. 63)

As the Canada and Dominion brief acknowledged, little quantitative information is available on the size of the market in Canada for the products which compete with sugar. The Board was told that corn syrup and corn sugar are produced in Canada by only two manufacturers: Canada Starch Company Limited and St. Lawrence Starch Company Limited. (Vol. 1, p. 280) No information is available on the total production of corn syrup or corn sugar in Canada, but C. & D. expressed the opinion that sales of glucose and dextrose in Canada, including domestic production and imports, were about 150 million pounds per year. (Vol. 1, p. 64) Even if this estimate were very far off the mark, it would still appear that glucose and dextrose sales in Canada are relatively insignificant when compared with the more than two billion pounds of refined beet and cane sugar sold each year. In any case, glucose and dextrose are not direct substitutes for sugar in all circumstances. Glucose is sometimes used for its special properties and spokesmen for the sugar refining industry agreed that only part of the consumption of glucose could be regarded as being in direct competition with sugar. (Vol. 1, p. 281 to 284)

Until mid-1970, the cyclamates and, to a lesser extent, saccharin, were the principal, non-nutritive, chemical sweeteners used as substitutes for sugar. Since July 22, 1970, the use of cyclamates in commercial food products has been prohibited, although they may still be purchased by consumers for dietary use. Before this ban they had been widely used in a large variety of food products, particularly for the production of "low-cal" carbonated beverages.

When cyclamates could be used in soft drinks they were a much cheaper sweetening agent than sugar. The customary mixture of cyclamates and saccharin used in soft drinks is about 30 times as sweet as sugar, per unit volume. In the quantities in which these chemicals were purchased by manufacturers, their cost was said to be roughly 40 cents a pound or, in terms of their sweetening power, the equivalent of about 1.33 cents per pound of sugar. (Vol. 1, p. 286; Vol. 4, p. 566) However, in the quantities purchased by consumers, at retail, both cyclamates and saccharin are much more expensive than sugar, in terms of sweetening power.

The relative cost of various sweetening agents is given in the following table in terms of the cost of a quantity of each which would be equivalent, in sweetening power, to that of one pound of granulated white sugar. The retail prices used were those in effect in an Ottawa supermarket on November 24, 1970, and might have been somewhat higher or lower in other parts of Canada. Also, the estimates are necessarily only approximations, because the concept of sweetness is somewhat subjective, without full agreement by authorities as to relative sweetness levels. However, even allowing for these limitations, the table is clear on one point: at the retail level, sugar is the least expensive sweetening agent available to the consumer, by a very wide margin.

Table 13: Cost at Retail of Various Sweetening Agents
Comparable in Terms of Sweetening Power to
One Pound of Granulated White Sugar, Ottawa,
November 1970

<u>Product</u>	<u>Package</u>	<u>Price</u> cents	<u>Sweetness</u> <u>Index</u> sugar = 100	Cost, (a) Equivalent to 1 lb. Sugar	Index of Cost (a) sugar = 100
				cents	
Granulated White Sugar	5 lb.	49	100	9.8	100
Brown Sugar	2 lb.	29	92	15.8	161
Corn Syrup (Glucose)	2 lb.	41	62	33.1	338
Refiners' Syrup	1 lb.	29	62.5	46.4	473
Honey	2 lb.	73	80	45.6	465
Fancy Molasses	26½ oz.	29	72	24.3	248
Pure Maple Syrup	16 oz.	69	62	111.3	1,136
Imitation Maple Syrup	32 oz.	44	62	35.5	362
Sodium Saccharin	250 tablets	49	(b)	21.6	220
Modified Cyclamate	1 oz. bottle	79	3,000	42.1	430

(a) Equivalent in sweetening power to one pound of granulated white sugar

(b) 1 tablet = 1 teaspoon and 110 teaspoons of sugar = 1 pound

Source: Sweetness equivalents derived from Food and Drug Regulations, or obtained from the Department of Agriculture

Although data are not available on the production or shipments by Canadian manufacturers, of the products which may be competitive with sugar, the DBS has provided the Board with data indicative of the volume and value of some of these which were used as raw materials principally in the soft drink industry, the confectionery and bakery industries, and in the preserving of fruits and vegetables; together, these industries accounted for two-thirds of the industrial use of sugar, in 1968.

Sugar, in the forms shown in the table which follows, accounted for 87 per cent of the quantity and 81 per cent of the value of the products listed. It is likely that only the artificial sweeteners could be regarded as competitive with sugar; the other products were probably used because of their unique flavour or other special properties. Even the artificial sweeteners cannot be regarded as being wholly competitive with sugar; many persons who purchase food products containing them do so because of dietary considerations and would either do without the products if they contained sugar or would consume less of them than of their "low-calorie" substitutes.

Table 14: Principal Sweetening Agents Used by Major Industrial Users^(a), 1966-68

	<u>1966</u>	<u>1967</u>	<u>1968</u>
	million pounds		
Refined, invert & liquid sugar	1,110	1,190	1,225
Glucose & dextrose	116	122	139
Maple syrup	8	8	8
Honey	22	27	31
Unspecified products ^(b)	<u>3</u>	<u>4</u>	<u>4</u>
Total	1,260	1,349	1,407
	million dollars		
Refined, invert & liquid sugar	75.3	79.9	85.0
Glucose & dextrose	9.8	10.4	11.9
Maple syrup	2.6	2.1	2.5
Honey	3.8	4.3	4.4
Unspecified products ^(b)	<u>0.6</u>	<u>0.6</u>	<u>1.0</u>
Total	92.0	97.3	104.8
	cents per pound		
Refined, invert & liquid sugar	6.8	6.7	6.9
Glucose & dextrose	8.4	8.5	8.6
Maple syrup	31.0	28.0	30.2
Honey	16.8	15.8	14.2
Unspecified products ^(b)	<u>18.5</u>	<u>18.0</u>	<u>24.4</u>
Average of above	7.3	7.2	7.5

(a) Soft drink, confectionery, baking and canning and preserving industries

(b) Largely artificial sweeteners

Source: DBS, special tabulation

In the following table the costs of the sweeteners are shown relative to the cost of the sweetening power of one pound of sugar. The unit values are those shown in the table above.

Table 15: Cost of Certain Sweetening Agents to Industrial Users Comparable, in Terms of Sweetening Power, to One Pound of Granulated White Sugar, 1968

	<u>Unit Value</u>	<u>Cost, Equivalent to 1 lb. of Sugar^(a)</u>	<u>Index of Cost</u>
	¢ per lb.	cents	sugar = 100
Refined, invert & liquid sugar	6.9	6.9	100
Glucose & dextrose	8.6	13.9	201
Maple syrup	30.2	48.7	706
Honey	14.2	17.8	258
Unspecified products ^(b)	24.4	0.1	1

(a) Unit value adjusted according to sweetness

(b) Largely artificial sweeteners

Source: Derived from data supplied by DBS and Departments of National Health and Welfare, and Agriculture

It is evident that, while such products as corn syrup, fancy molasses and honey may be thought to be competitive with refined sugar by Canadian refiners, they are not fully competitive in the economic sense. They become substitutes only in respect of certain specific end uses, in which their non-sugar components impart distinctive flavours which are a definite advantage. Even if they were priced competitively, these non-sugar components would make many of the listed products unsuitable as sweetening agents for such uses as the manufacture of soft drinks, or as ingredients in many kinds of confectionery or jam; for other uses, the particular flavours provided by the non-sugar components have positive advantages and enable the products which contain them to be sold at several times the price of an equivalent amount of sugar, in terms of sweetening properties.

It is clear, from the analysis, that apart from chemical sweeteners, no other common sweetening agent is competitive with sugar in terms of the cost of the sweetness imparted to the end product; this is true both in respect of sugar for household or for industrial use. The chemical sweeteners are more expensive than sugar when purchased in the usual quantities sold at retail. However, at the unit costs at which they are available to industrial users, they are so much lower in cost relative to sugar that the extent of their use is limited only in relation to their acceptance by the general public in respect of flavour, hazards to health or other such non-economic considerations.

PRICING POLICY

Terms of Purchase of Raw Cane Sugar

All Canadian cane refiners produce granulated white sugar as their principal product; their other main outputs are sugars or syrups which also have a very high content of contained sugars. To these refiners, a raw sugar of high polarization and, therefore, of a high sugar content, implies a minimum of processing problems and a rapid throughput in the process of separating the sucrose contained in the raw sugar from its associated non-sugars.

The formula, available sucrose $2P - 100$, was offered at the hearing, as indicating the percentage of available sucrose in a sugar of polarization P ; it is currently accepted by the International Sugar Organization for the purpose of reporting statistics on a uniform basis. The formula indicates that a 98° polarization sugar would contain 96 per cent sucrose which can be separated economically from the non-sugars; similarly, a 96° sugar would contain 92 per cent of available sucrose. It was stated at the hearing that, in terms of the cost of processing raw sugar in a given refinery, there is not a very great preference for a higher polarization sugar over one slightly lower, because both sugars would have to go through the same processes. However, higher polarization sugars pass through the processes faster, with a lower demand on filtering capacity, than do low polarization sugars, with consequent implications for capacity, energy used, filtration materials used, and so on, all of which would affect costs per unit of output. High polarization sugar was referred to by one expert witness as "a refiner's dream". (Vol. 4, p. 475)

The existing tariff structure is not neutral with respect to the polarization level of sugar which may be bought by Canadian refiners. The existing rate structure on raw sugar entered under item 13500-1 has a sliding scale under all tariffs, with increments in specific duty for each one degree increment in polarization. The increments in duty are not uniform: there is a sudden "jump" in the increment above 99° polarization in the B.P. tariff, and an even sharper jump above 98° in the M.F.N. and General tariffs, as the following table makes plain.

Table 16: Rates of Duty, and Increments in Rates of Duty, on Sugar of 95° Polarization and Higher, Imported Under Tariff Item 13500-1

Polarization	B.P. Tariff		M.F.N. and General Tariffs	
	Existing Rate	Increment per Degree Pol.	Existing Rate	Increment per Degree Pol.
not over over		- cents per	hundred pounds	-
95° to 96°	28.712	.975	128.712	3.542
96° to 97°	29.688	.976	132.255	3.543
97° to 98°	30.664	.976	135.798	3.543
98° to 99°	31.640	.976	147.606	11.808
Above 99°	35.606	3.966	147.606	nil

Subject to requirements for the production of soft sugars, a refiner's preference for a high polarization sugar, in conjunction with the increments shown in the table, has the effect of creating a preference for sugars which approach, but do not exceed, 99° polarization, when from B.P. sources, and close to, but do not exceed 98° polarization when from M.F.N. or General sources. This tariff-generated preference on the part of the refiners, for sugars with particular polarization characteristics, depending upon source, is given expression in the contracts for the purchase and sale of raw sugar as negotiated between refiners in Canada and their overseas suppliers. As one example, among several which the Board has been shown, a contract between a Canadian refiner and a Commonwealth supplier, dated April 25, 1969, has the following clause as one of the standard, pre-printed, terms of the contract:

"Sugar polarizing in excess of 99° to be regarded as only 99°, but Seller shall be responsible for the difference between the duty payable on sugar polarizing NE /not exceeding/ 99° and any higher duty payable."

Similarly a contract between a Canadian refiner and a supplier of M.F.N. sugar, dated July 11, 1969, has the following clause:

"Sugar polarizing in excess of 98 degrees to be regarded as only 98 degrees, but seller shall be responsible for the difference between the duty payable on sugar polarizing n.e. 98 degrees and any higher duty payable."

Raw sugar is bought and sold, sight unseen, on the basis of its sugar content, as indicated by its polarization. Prices are quoted for 96° sugar, with standard differentials in price for sugar of other polarization levels. These price differentials were specified in one pre-printed contract in the following terms; "C.I.F.F.O." in the contract, is the abbreviation for "cost, insurance, freight, free out"; the expression "free out" means that the purchaser pays the cost of discharge from the hold of the ship.

"Settlement of degrees above or below 96° to be calculated on the C.I.F.F.O. value of this contract as follows:-

For each full degree above 96° add 1.4%
 For the full degree below 96° down to and including 95° deduct 1.5%
 For each full degree below 95° down to and including 93° deduct an additional 2.00%.
 Fractions of degrees to be calculated in the same proportions.

No sugar below 93° to be delivered unless on discount terms mutually agreed between Seller and Buyer."

Clearly, the discounts on sugars of polarizations below 96° are larger than the premiums for sugars of polarizations exceeding 96°.

The combined effect on the returns to sellers and the costs to buyers, of the higher duties and the premiums, on higher polarization raws, is shown in the following table. It is assumed that the contract price for 100 pounds of 96° sugar, c.i.f. (cost, insurance and freight paid) Montreal, exclusive of duty, is \$5.00 in Canadian funds, and includes 75 per cent of the \$1.00 preferential margin for B.P. sugar of 96° polarization; the corresponding price at which such sugar would be available from M.F.N. sources would be 75¢ less per 100 pounds, or \$4.25 per hundredweight, c.i.f. Montreal. The table also shows the effects of the penalties included in contracts, applicable to sugars of high polarization.

It is evident from the table that M.F.N. suppliers would suffer a considerable loss on cargoes of raw sugar exceeding 98° polarization. For example, if a relatively small M.F.N. cargo, of 5,000 tons, tested 98.5° the cost of the penalty, compared with the 'normal' return, would amount to \$15,000. It is hardly surprising that in the five years 1965-69, only one M.F.N. cargo unloaded in Canada exceeded 98° in polarization. The contractual penalties on high-polarization B.P. sugars are considerably smaller but, nevertheless, also substantial. The loss to a B.P. supplier would be less, partly because penalties are incurred only on sugars exceeding 99°, instead of those exceeding 98°, as is the case for M.F.N. sugars and partly because the penalties are smaller. However, on a 5,000 ton cargo testing 99.5°, the penalties to a B.P. supplier would amount to \$8,000.

Table 17: Effect of Duty and Polarization on Returns to Sellers and Costs to Canadian Buyers, With and Without Penalties on Sugars of High Polarizations

	Actual Polarization of Sugar			
	96°	98.5°	99°	99.5°
	\$ per 100 lbs., c.i.f. Montreal			
<u>Rec'd by B.P. suppliers^(a)</u>				
No penalties	5.00	5.18	5.21	5.25
With penalties	5.00	5.18	5.21	5.17
<u>Rec'd by M.F.N. suppliers</u>				
No penalties	4.25	4.40	4.43	4.46
With penalties	4.25	4.25	4.25	4.25
<u>Cost to buyers, B.P. origins^(b)</u>				
No penalties	5.29	5.49	5.53	5.60
With penalties	5.29	5.49	5.53	5.53
<u>Cost to buyers, M.F.N. origins^(b)</u>				
No penalties	5.54	5.87	5.90	5.93
With penalties	5.54	5.73	5.73	5.73

(a) Inclusive of 75¢ per 100 lbs. preferential premium at 96°

(b) Inclusive of duty relevant to polarization of sugar

Note: B.P. suppliers receive no pol. premium, beyond 99°, on sugars exceeding 99°, and are responsible for duty payable in excess of that applicable to sugar of 99°. M.F.N. suppliers are subject to similar conditions except that penalties apply to sugars exceeding 98°.

The position of the buyer is very much different. The penalties are such, that the buyer can acquire higher-polarization sugars at the same unit cost as those of lower polarizations; their utilization is not likely to create any serious problems for a refinery.

The return to B.P. suppliers is always higher than to M.F.N. suppliers, by approximately the amount of the preferential premium. On a cargo of 5,000 tons of raw sugar testing 98.0°, the gross return to a B.P. supplier would be \$77,100 more than to an M.F.N. supplier. The additional cost of 96° M.F.N. sugar, to a Canadian refiner, in buying M.F.N. sugar, is the difference between the M.F.N. rate of duty and the sum of the B.P. rate and the preferential premium; at polarizations above 96° the rates of duty change, of course, but the preferential premium also increases, by 1.4 per cent for each full degree above 96°. At 98°, the approximate M.F.N. duty is \$1.36 per 100 pounds, the B.P. duty is 31¢ per 100 pounds, and the calculated preferential premium is 77¢ per 100 pounds (75¢ x 1.028). Thus, the cost to a Canadian refiner of 98° M.F.N. sugar, c.i.f. Montreal, duty paid, would be higher by 28¢ per hundredweight (M.F.N. duty of \$1.36 - B.P. duty of \$.31 - preferential premium of \$.77) or by \$28,000 on a cargo of 5,000 tons.

Although price and duty increments make higher polarization sugars more expensive per hundred pounds than lower polarization sugars, the higher yield of refined sugar and the somewhat lower processing costs more than compensate refiners for the higher cost of the raw sugar. Indeed, if white sugar were the only product produced by Canadian refiners, the closer to 100° that the polarization of their raw sugar inputs attained, the better. However, soft sugars are an important part of the output of most Canadian cane refiners and the companies which produce them pointed out that the very high polarization sugars do not contain sufficient molasses to enable them to make all the soft sugars their markets demand; this does not appear to be a serious difficulty because purchased molasses can be added to the raw sugar during processing.

As the above indicates, it is contrary to the interests of suppliers to ship sugar to Canada, of a polarization which incurs penalties. The spokesman for the South African Sugar Association said that one cargo of sugar sent to Canada from his country had polarized at 99.03 degrees, as a result of a gross error for which the offending mill had subsequently been penalized; the South African spokesman further indicated that his Association tries to control the polarization level of sugars exported to Canada to between 98.5 and 98.8 degrees. (Vol. 2, p. 262) For South African and other distant suppliers, polarization penalties can be quite substantial; on a cargo of 15,000 tons, a common size, the penalty on a 99.5° shipment would amount to \$24,000.

As regards M.F.N. raw sugars, the M.F.N. rate increases irregularly for sugar exceeding 98° and the extra duty must be absorbed by the exporter, by contract. This was a source of complaint from the spokesman for Cuba. The brief of Cuba noted that there would be no production, marketing or administrative difficulties in supplying raw sugar of 99° polarization to Canada and urged that the Canadian tariff structure be amended so as not to discriminate against the higher qualities of M.F.N. sugars and thus to permit their importation from M.F.N. suppliers. (Vol. 8, p. 1264, 1265)

The Pricing of Raw Sugar

All raw sugar, bought by Canadian refineries, is obtained through sugar brokers, who receive a fee of $\frac{1}{2}$ of one per cent from the seller, for their services. All sugar brokers, currently engaged in that occupation in Canada are, according to testimony, branches of international sugar brokerage companies, most of whose head offices are in London, England. According to the evidence presented at the public hearing, there is no corporate relationship between any sugar brokerage firm and any of the Canadian refineries for whom they obtain sugar. The function of the broker is to bring buyer and seller together, in the sense of finding a customer when a seller has sugar to sell, or finding a seller when a refiner needs raw sugar. The brokers also play an important rôle in obtaining shipping space for the carriage of raw sugar from origin to destination.

Sugar is bought by Canadian refiners on a contract basis; a contract may cover a single shipment, or several shipments, of sugar. Contract forms are usually on the letterhead of the brokerage firms and are of a fairly standard format; some clauses of the contracts, such as that specifying the price differentials for sugar above or below 96° polarization, are common to all contracts that the Board has examined.

Contracts for raw sugar for the Canadian market fall into two broad categories: those covering sugar sold on a "spot" or cash basis, in which the price of the sugar, on the basis of 96° polarization, is specified in exact figures when the contract is signed; and those covering sugar sold "on pricing terms", also described as sales on "deferred pricing" or "on price fixing" terms, in which case the final price is indeterminate at the time of negotiating the contract. The factor which determines the final price is the level of the "London Daily Price" on the day when a particular volume of raw sugar is "called" for pricing under the contract.

The London Daily Price (LDP) is a price calculated each day by a rotating committee of London sugar brokers, the Price Committee of the United Terminal Sugar Market Association. The committee arrives at a price of raw sugar, of 96° polarization c.i.f. London, which pertains to free market raw sugars and is applicable to sugar landed at London, exclusive of British customs duties. The Board has been informed that the Price Committee estimates the London Daily Price primarily on the basis of known transactions in "spot" or cash sugar, and bona fide offers of spot sugar that may not necessarily have resulted in completed transactions. Changes in the Caribbean-U.K. freight rate also affect the LDP, the Caribbean area being treated as a sort of world price basing-point for raw sugar. To affect the LDP, transactions or offers of sugar need not relate to sugar for delivery to London; the Committee may estimate the effect that transactions in respect of sugar for other destinations would have had on the London market, taking freight costs into account. Similarly, such offers need not involve raw sugar originating in the Caribbean area.

In the absence of price indications of the above sort, the Committee may estimate the London Daily Price on "tone", a rather vague expression relating to the Committee's knowledge of market situations that might not be covered by reference to actual or proposed transactions.

The Board has been informed that when the Price Committee is examining transactions in raw sugar, it does not normally take direct account of the effect on the sugar market of sugar sold on deferred pricing terms. Such transactions are usually related to the level of the LDP at some future date and are not useful yard-sticks of prevailing prices; they may impinge on the calculation of the current LDP only to the extent that they affect the "tone" of the market by diminishing the quantity of sugar which is available for sale. Subject to this latter qualification, it appears that, largely as a result of the deferred pricing contracts, Canada is a price taker, rather than a price maker, in the world sugar market, in spite of the fact that this country is, after Japan, the largest single purchaser of world free market sugar. Thus, when, under the terms of the International Sugar Agreement, a 1969 hardship quota allocation to Mauritius and Fiji was being discussed in the "Sugar Review", published on September 11, 1969, by C. Czarnikow Ltd. of London, it was reported that the full amounts of the allocation had all been committed to Canada and these, "therefore have no influence on the market."

"Deferred pricing" contracts enable the purchaser to price his output of refined sugar in a close relationship to the price of raw sugar, on any given day. In the trade this is known as pricing "close up to the market". The practice enables the refiner to maintain a fairly constant day-to-day relationship between prices of raw and refined sugars, an important point particularly for those refiners who are located on the St. Lawrence or its Seaway and who must store enough raw sugar to carry them through approximately four winter months. These refiners do not wish to run the risk of paying the prevailing spot prices for raw sugar in the autumn, to find, in the spring, that imported refined sugar is priced at a much lower level than in the preceding fall, as a result of a decline in world prices over the winter.

On any given day, the deferred pricing contract enables the refiners to price the refined sugar to be produced that day on the basis of having purchased an equivalent amount of raw sugar at that day's London Daily Price for raw sugar. The raw sugar that is so priced on any one day can be, but does not have to be, the same sugar as is being withdrawn from the warehouse for refining. Basically the contracts call for sugar to be priced as of the dates of "paper" withdrawals of sugar, rather than physical withdrawals, in the sense that on any day covered by the contract period the refiner may "call" for certain amounts of sugar to be priced at the London Daily Price of that day, with adjustments as noted hereunder, even though the physical sugar involved in the contract may not actually be withdrawn on the day in question.

Indeed, a frequent practice is for sugar covered by a particular contract to be subject to pricing, in relation to the current LDP, as soon as the contract is signed, although the sugar may not be delivered to the refiner for several months. Thus the Board has been shown a contract covering sugar obtained by a Canadian refiner from a Commonwealth source of raw sugar, in which the date of the signing of the contract was January 2, the date of the loading of the shipment of sugar in the country of origin was to be some time in April of the same year, and the dates on which calls could be made against the contract began with January 2 and ended with October 31, and included

"any London market day" between those dates. Deferred pricing contracts were introduced by C. & D., in 1960, when Tate & Lyle Limited acquired a controlling interest in the company. (Vol. 1, p. 53)

To Canadian refiners the principal exchanges, on which buyers and sellers of raw sugar may hedge their purchases or sales, are those of the United Terminal Sugar Market Association in London and the New York Coffee and Sugar Exchange; refined sugar may be hedged by purchasing or selling equivalent amounts of raw sugar futures. As on any commodity exchange, refiners may "take a position" in the market, that is, they may use corporate funds to speculate in sugar on the exchanges, buying and selling sugar independently of their own refinery's requirements. Speculation of this sort may augment the revenues of the refineries and, indeed, one refinery officer, in submitting the detailed balance sheets and profit and loss statements of his company for examination, found it advisable to ask the Board to be careful not to attribute all the profits made by his company to the operation of the sugar refinery, because some of the revenues had resulted from such speculation. Of course, the profitability of such speculative transactions depends on the judgment of the persons involved and, indeed could readily lead to substantial losses if the judgment was faulty.

Sugar contracts, of the sort described above, when covering sugar obtained from B.P. sources by Montreal refiners, usually specify that the amounts of sugar called for pricing on a particular day shall be priced at the London Daily Price of that day, converted to Canadian currency, plus the 75 cents per hundred pounds share of the \$1.00 Canadian tariff preference that usually accrues to the seller, minus an adjustment for the difference in freight cost to the destination of the buyer relative to the cost of freight to London. The 75 cents preferential premium is discussed elsewhere in this report. All that needs to be said here is that the Board's examination of sugar contracts suggests that the payment of an additional 75 cents per hundred-weight to a seller of B.P. sugar is a fairly general but not universal practice; some contracts which have been examined were slightly more favourable to the Canadian refiner.

The freight adjustment is made because the London Daily Price is a price for world sugar, c.i.f. London, whereas the contracts entered into by Canadian refiners relate to the price for B.P. sugar, c.i.f. Montreal. It is accepted in the sugar trade that the Caribbean area is the basing point for raw sugar purchased by Canadians; it is further accepted that the costs of bringing raw sugar from the Caribbean to Montreal are only 70 per cent of the cost of shipping sugar from the Caribbean to the United Kingdom. Accordingly the standard Canadian sugar contract arranges to convert a c.i.f. London price to a c.i.f. Montreal price by deducting, from the c.i.f. London price, 30 per cent of the cost of freight free in and out (f.i.o.) that is, inclusive of loading charges but with costs of unloading to the account of the buyer. The freight rate quotation for sugar from the Caribbean to London is made available daily by the Price Committee of the United Terminal Sugar Market Association in London; besides its use in determining the Canadian c.i.f. price, it is also used, as discussed elsewhere, to derive the world price of sugar under the terms of the International Sugar Agreement.

The above method of deriving a price for B.P. raw sugar landed at Montreal, excluding duty, is applicable to sugar bought on pricing terms from B.P. suppliers in other parts of the world besides the Caribbean, for example, Australia, Fiji and the Republic of South Africa. Given that the Caribbean area is, in effect, the basing point for Canadian purchasers of raw sugar, B.P. suppliers further removed from Montreal than is the Caribbean area are in effect agreeing to "absorb", in the price they accept for their raw sugar, the extra costs of shipping sugar from their originating points to Montreal. In fact, of course, the seller is prepared to accept a lesser gross return f.o.b. origin than is obtained by Commonwealth Caribbean suppliers. The Caribbean to U.K. freight rate can be an important element in the contract price for sugar, for instance, in transactions between African shippers and Montreal refiners, even though the origin is not the Caribbean area and the destination not the United Kingdom.

The following example shows the derivation of the c.i.f. price of B.P. sugar "called" under the commonest form of deferred pricing contract by a Montreal refiner on January 4, 1971, the first business day of the new year. The example assumes a preferential premium on 96° sugar of 75¢ per 100 pounds.

London Daily Price, c.i.f. London	£45-0-0 per long ton
Freight cost Caribbean to U.K.	£4-10-0 per long ton
Deduct 30% of Caribbean-U.K. freight from LDP	£1-7-0 per long ton
Price, c.i.f. Montreal, exclusive of preferential premium	£43-13-0 per long ton
Price in Canadian funds, converted at \$Can. 2.42 to the £U.K.	\$4.71 per 100 lbs.
Add 75¢ (preferential premium) to give c.i.f. price at Montreal	\$5.46 per 100 lbs.
Add B.P. duty of 28.712¢ to give c.i.f. price at Montreal, including duty	\$5.75 per 100 lbs.

The preceding calculations assume the purchase of 96° raw sugar, but the calculations would be similar if raw sugar of a higher polarization were purchased. For example, if the raw sugar had been of 98° polarization, the LDP minus 30 per cent of the freight to London and inclusive of the 75¢ preferential premium, would be adjusted by the standard 1.4 per cent price increment for each full degree above 96° and the price c.i.f. Montreal, exclusive of duty, would be \$5.62 per hundredweight. Adding the higher duty on 98° sugar would bring the laid-down cost at Montreal, inclusive of duty, to \$5.92 per hundredweight, compared with \$5.75 per hundredweight for 96° sugar.

While the foregoing describes the pricing of sugar under a very common type of contract for B.P. sugar, other contracts have different features. As noted earlier, some contracts specify a firm price agreed upon at the time of negotiation; these usually agree on a price which is the Montreal equivalent of the LDP on the date of signing, plus the 75 cents preferential premium. While most sugar purchases made by Canadian refiners are made on a c.i.f. basis, as described above, some at least are made on an f.o.b.s. (f.o.b. "stowed") port of origin basis, in which case it is the responsibility of the purchasing refiner to arrange for transportation.

As in the case of B.P. sugar, M.F.N. sugar appears to be bought either on deferred pricing terms which relate the price to be paid to the LDP prevailing on the day of calling on the contract, or on firm price contracts which have been negotiated with the eyes of the negotiators on the LDP prevailing at the time of contract negotiation. Some, but not all, contracts for M.F.N. sugar appear to price the sugar at a fairly precise c.i.f. Montreal equivalent of the LDP, that is, at the LDP minus 30 per cent of the cost of freight from the Caribbean to the United Kingdom without, of course, any extra payment of 75 cents per hundred pounds to the M.F.N. supplier because the full \$1.00 of preferential margin would be exigible.

Other contracts that the Board has seen reflect the fact that Canadian refiners have sometimes been able, in the process of negotiation, to persuade the M.F.N. supplier to take account of the fact that the cost of M.F.N. sugar to the Canadian refiner is about 25 cents per hundred pounds more, duty paid, than comparable B.P. sugar. This may take the form of a reduction in the contract price below the Montreal equivalent of the LDP, the reduction in price being at least equal to the 25 cent per hundred pounds, basis 96° sugar. Contracts on file confirm the existence, in some periods at least, of the discounts referred to by the spokesman for Cuba, at the public hearing. (Vol. 8, p. 1276) The Cuban spokesman referred to discounts of 29 cents per hundred pounds for sugar under 97° and of 34 cents per hundred pounds for sugar between 97° and 98°; he also stated that these discounts are related to the existing tariff provisions.

When sugar is acquired on deferred pricing terms from either B.P. or M.F.N. sources, the seller is usually paid 98 per cent of a provisionally-calculated value of each shipment on the arrival of the vessel at the refiner's dock. The provisional value is commonly based on the LDP at time of loading the cargo. The detailed calculations of day-to-day changes in values as related to the LDP, when sugar is called for pricing under the contracts, are subsequently used to determine the final value of the contract, which can be either above or below the provisional value depending upon whether the LDP has risen or fallen between the loading of the cargo and the calling of amounts of sugar under the contract.

Although the foregoing discussion related to the pricing of raw sugar delivered to the three Montreal refineries, contracts for the delivery of raw sugar to C. & D. Toronto are similar except for the provision for additional freight cost between Montreal and Toronto. The contracts for sugar purchased by the refinery at Saint John, New Brunswick, or the one at Vancouver, are also substantially similar in their terms to the Montreal contracts. However, the price of raw sugar to Atlantic Sugar Refineries, called for pricing on any given day, is usually some cents less than the price to Montreal refiners on the same day; this reflects the lower cost of shipping raw sugar to St. John than to Montreal.

British Columbia Sugar Refining Company purchases raw sugar principally on the basis of fixed prices, determined in advance. In the words of the company's brief:

"It has been the policy of the company to make fixed contracts, cargo by cargo, for its requirements and not resort to deferred pricing or other arrangements whereby small lots of sugars may be priced from day to day against the terminal market." (Vol. 4, p. 588)

However, the company's brief went on to indicate that the availability of the London sugar market to hedge purchases of raw sugar was an important aspect of its purchasing policy. The spokesman for B.C. Sugar indicated that it was his company's policy to ask the London brokers for bids on Commonwealth sugar delivered to Vancouver; if a Jamaica cargo were cheaper than a Fiji cargo they would take the Jamaican cargo. "It is a matter of price". (Vol. 4, p. 633)

Regional Pricing of Refined Sugar

Refined sugar is priced by Canadian refiners on the basis of a system involving a combination of base point prices and freight equalization. Montreal, Toronto and Saint John are the established basing points in eastern Canada; Vancouver is the recognized basing point in western Canada. Montreal and Saint John base prices for granulated sugar are essentially identical; Toronto base prices are 20 cents per hundred pounds higher than those at Montreal. Vancouver base prices are ordinarily at least 10¢ per hundredweight higher than those at Montreal, but the differences are not consistent and range from 10¢ less to 25¢ more, than at Montreal; the average Vancouver price was about 10¢ per hundredweight higher than Montreal in 1968, 1969 and 1970.

It is a characteristic of freight equalization that every supplier offers to sell sugar at a delivered price which is equal to the base point price of the nearest supplier plus the cost of freight from that supplier to the purchaser's destination; "nearest", as used here, means the lowest freight cost. Thus Atlantic Sugar, whose refinery is at Saint John, "absorbs" the cost of freight from Saint John to Montreal when it sells sugar in Montreal, while the Montreal refiners would absorb the cost of freight from Montreal to Saint John if they sold sugar in Saint John. At intermediate points, between Saint John and Montreal, the delivered list price of sugar is higher than that at either of these two base points, being equal to the base price plus the cost of shipment from the basing point having the lower shipping cost to the destination in question.

In actual practice it is cheaper to ship sugar from Saint John to Montreal than from Montreal to Saint John because part of the freight cost from Saint John to Montreal and to points further west, is subsidized under the Maritime Freight Rates Act. (Vol. 1, p. 59; Vol. 4, p. 550) Because list prices at Toronto are 20 cents per hundredweight more than at Montreal, the refineries in Montreal and Saint John absorb only that part of the cost of shipping refined sugar to Toronto which is in excess of 20 cents per hundred pounds.

In January, 1971 the rail freight charges on packaged sugar shipped from Montreal to Toronto ranged from $30\frac{1}{2}$ to $32\frac{1}{2}$ cents per hundred pounds, depending upon the total weight of the shipment. Thus, there is clearly some element of freight absorption by other eastern refineries on shipments to Toronto and to most destinations in southwestern Ontario. By keeping the list price at Toronto only 20 cents above Montreal prices, C. & D. forces other refineries to use Toronto as an alternative basing point to Montreal with consequent benefits to Ontario consumers in those centres closer to Toronto than to Montreal. Indeed, this appears to be implicit in the claim of C. & D. that, in making Toronto a basing point, it had reduced the cost of sugar to Ontario consumers by about \$1.5 million annually. (Vol. 1, p. 54)

With the opening of its Toronto refinery, C. & D. could supply sugar to purchasers in the Toronto area and in other parts of central and southwestern Ontario without any absorption of freight costs, so long as the extra cost of shipping equivalent amounts of raw sugar to Toronto, as compared with shipping it merely as far as Montreal, did not exceed 20 cents per hundred pounds of refined sugar; the cost of storing raw sugar would also be fractionally higher at Toronto than at Montreal because the St. Lawrence River is open to navigation for a longer period at Montreal. However, the principal consideration would be the additional cost of shipping raw sugar to Toronto relative to Montreal.

Early in 1971, the additional cost of shipping raw sugar to Toronto as opposed to Montreal to Toronto was approximately \$1.60 to \$2.20 per ton and, according to the C. & D. brief, the average polarization of raw sugars used by the Toronto refinery is approximately 98°. Thus, about 104 pounds of raw sugar would be required to produce 100 pounds of refined sugar and the additional freight cost on the raws would be roughly 8.3¢ to 11.4¢ per 100 pounds of refined sugar. Therefore, even if some allowance were made for the extra cost of storing larger quantities of raw sugar at Toronto than at Montreal, during the winter, the 20¢ per 100 pound differential between the base prices for raw sugar at Toronto and Montreal is approximately double the extra cost of transportation of equivalent amounts of raw sugar. Thus, in setting the base price for refined sugar at Toronto at 20 cents per hundredweight above that at Montreal, C. & D., apparently, was taking into account the cost of shipping refined sugar from Montreal to Toronto and not the additional cost of acquiring raw sugar; because the Toronto refinery's output would be sold in competition with refined sugar produced at Montreal, this is not surprising.

As noted earlier, the cost of sugar delivered to destinations served by both Toronto and Montreal refineries would be the lesser of the Toronto base price plus freight cost from Toronto, and the Montreal base price plus freight cost from Montreal. Assuming that no freight cost is absorbed by the shipper, this means that, for most of eastern Ontario, that is, as far west as the Peterborough area, the lowest-priced sugar can be obtained from Montreal; west of Peterborough, the lowest-priced sugar can be obtained from Toronto.

Table 18: Cost of Refined Sugar Delivered to Selected Centres in Ontario, Using Montreal and Toronto Base Prices, January 1971

Destination of Sugar	Cost of Rail Freight From:		Delivered Cost Refined, ^(a) From:		Montreal Refineries	
	Montreal	Toronto	Montreal	Toronto	Adv.	Disadv.
	¢ per cwt.		\$ per cwt.		¢ per cwt.	
Ottawa	25½	42	9.86	10.22	36	-
Kingston	34	35	9.94	10.15	21	-
Peterborough	36	19½ ^(b)	9.96	10.00	4	-
Toronto	30½ ^(b)	0	9.93	9.80	-	13
Kitchener	59	27	10.19	10.07	-	12
Windsor	77	42	10.37	10.22	-	15

(a) Assumes base price of \$9.60 at Montreal and \$9.80 at Toronto

(b) In 120,000-pound carlots

Source: Freight rates supplied by companies and the Canadian Freight Association

It is evident from the table that if base prices reflected costs, Montreal refineries would be at a disadvantage relative to C. & D. Toronto on shipments of sugar into the major consuming areas of Ontario. Similarly, C. & D. Toronto would be at a disadvantage in competing with Montreal refineries in the eastern Ontario market. However, the disadvantage of C. & D. Toronto is less than appears in the table. As noted, the 20 cents per 100 pound differential in base prices for refined sugar, between the two centres, is not based on the additional costs of shipping equivalent amounts of raw sugar to Toronto as opposed to Montreal and, in fact, is substantially more than this cost. Therefore, the Toronto refinery would appear to be in a much better position to compete for the eastern Ontario market than would be the Montreal refineries in competing in the very large market in southwestern Ontario.

Assuming no freight absorption, sugar sold by the refinery at Saint John, New Brunswick, would also be competitive with sugar produced at Toronto almost as far west as Kingston, Ontario. However, the cost of rail freight from Montreal to destinations in Ontario is less than that from Saint John and, therefore, the Saint John refinery would be forced to "absorb" some freight cost in order to compete in Ontario with Montreal-produced sugar, if list prices were strictly observed.

Montreal refiners have a freight cost advantage over Saint John, roughly as far east as Rivière-du-Loup, about 115 miles east of Quebec City; east of this general area, the advantage is to the Saint John refinery. The rail rates on sugar originating in Montreal and Saint John, delivered to selected destinations in Quebec and the Atlantic Provinces, are given below.

Table 19: Cost of Rail Freight on Refined Sugar from
Montreal and Saint John, N.B., to Selected
Destinations in Eastern Canada, January 1970

<u>Destination of Sugar</u>	<u>Origin of Sugar</u>		<u>Advantage To:</u>	
	<u>Montreal</u>	<u>Saint John</u>	<u>Montreal</u>	<u>Saint John</u>
	¢ per cwt. ^(a)		¢ per cwt.	
Sydney, N.S.	64	44	-	20
Halifax, N.S.	58	30	-	28
Saint John, N.B.	38	0	-	38
Moncton, N.B.	49	25	-	24
Matapedia, Que.	45	35	-	10
Rivière-du-Loup, Que.	35	35	0	0
Quebec City, Que.	30	34	4	-
Sherbrooke, Que.	21	41	20	-
Montreal, Que.	0	28	28	-
Ottawa, Ont.	25½	43	17½	-
Kingston, Ont.	34	44½	10½	-
Toronto, Ont.	30½(b)	40½(b)	10	-

(a) In 100,000-pound carlots

(b) In 120,000-pound carlots

Source: Freight rates supplied by companies and the Canadian Freight Association

Although the Saint John refinery has a freight-cost advantage over Montreal refiners as far west as Rivière-du-Loup, its overall advantage probably extends considerably further. This arises out of certain other advantages of the Saint John refinery over those at Montreal, for example, costs of ocean freight to Saint John are less than to Montreal and wage rates are lower in the Saint John area than in Montreal. The savings on ocean freight would amount to about 4¢ to 6¢ per 100 pounds of refined sugar; the lower labour costs represent a savings of approximately 5¢ per hundredweight. (Vol. 4, p. 558) Thus, to the extent that these factors reduce the costs of producing and packaging sugar, they permit the Saint John refinery to offset a substantial part of the disadvantage of its distance from market centres.

The preceding analysis is based on the assumption that all sellers adhere strictly to the base price system, but this is not necessarily the case. As noted, the base price at Toronto is higher than the additional cost, relative to Montreal, of transporting and storing raw sugar. Also, given the lower cost of transporting raw sugar to Saint John than to Montreal, the lower cost of storing raw sugar because Saint John receives winter shipments more regularly, and the lower wage rates in Saint John than in Montreal, it could be expected that the base price at Saint John should be less than at Montreal.

Thus, unless the other costs of the Toronto and Saint John refineries are significantly higher than those at Montreal, the former are both in a position to offer sugar below the list prices in effect at their locations. For example, if the Toronto plant is at a disadvantage relative to Montreal plants only in respect of the cost of

transporting and storing raw sugar, C. & D. Toronto should be able to offer a discount from list of as much as 9 to 10 cents per hundred-weight of refined sugar to large buyers or, alternatively, to absorb a corresponding amount of freight-cost. Similarly, the Saint John refinery would incur a substantial loss from sales of sugar in the Montreal and Toronto market areas, where it is at a freight disadvantage of more than 20 cents per hundredweight relative to Montreal and Toronto refineries, unless some of the advantages mentioned offset a large part of the costs of the "freight absorption" involved in freight equalized sales in these areas.

As the above indicates, there is a certain artificiality with respect to the base prices at Saint John and Toronto; both appear to be too high relative to Montreal, on the basis of cost. As a result, the refineries at Saint John and Toronto would appear to be "absorbing" freight costs in some market situations, although this was not, in fact, the case. In effect, the refiners price sugar on a delivered basis; the extent to which they are prepared to "absorb" freight costs would, presumably, be based on the relationship of their net return f.o.b. refinery to their net costs.

The pricing arrangements are further complicated in that Montreal refineries do not necessarily adhere to the base price in all market situations. For example, the Montreal refiners informed the Board that they sold refined sugar in the Atlantic Provinces on a regular basis. In view of the freight costs from Montreal and from Saint John to destinations in the Atlantic Provinces, the advantage is substantially in favour of Saint John, apart from any cost advantages which the refinery at Saint John may enjoy. Therefore, the Montreal refineries would be forced to accept a lower unit return from sales in this region than from sales in their principal market areas in Quebec and eastern Ontario.

Although the foregoing discussion applies to white, granulated sugar, the same situation exists in respect of soft sugars. In this connection it is noteworthy that soft sugars are not produced in Toronto, but the refiners' pricing policies are such that the base prices for soft sugars at Toronto are 20¢ higher than at Montreal or Saint John. In this, the refiners' list price schedules apparently assume the production of soft sugars at Toronto, although it is well known that the soft sugars sold by C. & D. Toronto are produced by the Montreal plant of the company.

As noted earlier, Vancouver is a recognized basing point and base prices at Vancouver follow the general trend of Montreal and St. John prices but are usually higher by 10¢ to 20¢ a hundredweight. Because Vancouver is a basing point, list prices in the four western provinces are either Vancouver plus freight or Montreal plus freight, whichever is less. In practice, list prices for sugar delivered to destinations in the western provinces are generally based on Vancouver plus freight but, as indicated later in this section, do not follow this pattern consistently. A discount of 15¢ per hundredweight for beet sugar relative to cane sugar is usual at Winnipeg, although Alberta beet sugar appears to be priced in direct relation to cane sugar.

The fact that there are currently no Agreed Charges in effect on sugar originating east of Manitoba, indicates that the volume of sugar being shipped from eastern refineries to the Prairie Provinces is insufficient to warrant the negotiation of an Agreed Charge. The freight cost from Montreal to Winnipeg, in effect in January, 1971, was \$1.67 a hundredweight compared with a rate from Vancouver to Winnipeg of \$1.86 per hundredweight and that from the Alberta beet sugar factories to Winnipeg of \$1.36 per 100 pounds.

When the base price in Vancouver is \$10.00 per 100 pounds, as in mid-January, 1971, the list prices at Prairie destinations would generally be the base price in Vancouver plus freight from Vancouver to those points; because of freight equalization the list price at Winnipeg could be \$9.90 (the corresponding base price at Montreal) plus the freight cost from Montreal to Winnipeg. The calculated delivered list prices at selected Prairie centres is shown in the following table, based on list prices at Vancouver of \$10.00 per 100 pounds of sugar and the rail freight rates in effect in mid-January, 1971; the actual delivered list prices are also shown.

Table 20: List Prices for Refined Sugar Delivered to Selected Destinations in the Prairie Provinces, from Selected Points of Origin, January, 1971

	Rail Rate From:			Delivered List Prices, January 14, 1971			
	Taber,			Actual	Vanc.	Taber	Wpg.
	Vanc.	Alta.	Wpg.		+ frt.	+ frt. ^(a)	+ frt. ^(a)
	cents per cwt.				\$ per cwt.		
Vancouver	-	-	-	10.00	10.00	-	-
Calgary	117	37	124	11.34	11.17	11.71	12.58
Edmonton	117	61	124	11.34	11.17	11.95	12.58
Taber	130	-	-	11.34	11.30	11.34	-
Regina	181	74	62	11.76	11.81	12.08	11.96
Saskatoon	181	81	83	11.76	11.81	12.15	12.17
Winnipeg							
Cane	186	-	-	11.49 ^(b)	11.86	-	-
Beet	-	136	-	11.34	-	12.70	11.34
Thunder Bay	-	-	113	-	-	-	12.47
Toronto	-	-	-	10.10	-	-	-
Montreal	-	-	-	9.90	-	-	-
Saint John	-	-	-	9.90	-	-	-

(a) Beet sugar

(b) If based on Montreal would be $\$9.90 + 1.67 = \11.57

As the table indicates, sugar is priced higher in Saskatchewan than in any other part of Canada and prices decline both west and east of this province. The table also indicates that the base price at Vancouver is higher than at Montreal and that delivered prices in Alberta are even further out of line and are higher than the Vancouver list price plus freight. It is noteworthy that beet sugar from Alberta is sold in Alberta and Saskatchewan without differentiation from cane

sugar but, in Manitoba, beet sugar is listed at a discount of 15¢ per 100 pounds in relation to cane sugar.

It is apparent that, if the list price of beet sugar at Winnipeg is regarded as being, in effect, a base price, Manitoba-produced beet sugar delivered to Regina would cost \$11.96 per hundred-weight and, therefore, would require "absorption" of 20¢ freight in order to compete with sugar originating in Vancouver. However, the return to the Winnipeg factory would be \$11.34 per 100 pounds compared with a return to the Vancouver refinery of only \$10.00 per hundred-weight, on deliveries to Regina.

It is evident that the return to the Winnipeg beet sugar factory would be the actual delivered list price at the destination less the freight cost from Winnipeg; this would also apply to the returns f.o.b. the Alberta beet sugar factories, which would be the actual delivered list price at the destination less the freight cost from Taber, Alberta. Thus, the return, f.o.b. the Alberta sugar beet factories, from sugar sold in Edmonton, would be \$10.73 per 100 pounds (\$11.34 minus \$0.61). Comparisons of gross returns, f.o.b. western producing centres, are given in the following table; they indicate that the return, f.o.b. point of production, may have little relationship to the amount of freight-cost "absorption".

Table 21: Comparison of Gross Returns to Sugar Refinery or Beet Sugar Factory from Deliveries at Selected Centres, January, 1971

<u>Destination</u>	<u>Actual List Price</u> \$ per cwt.	Gross Return ^(a) , Freight Equalized, f.o.b.:		
		<u>Vancouver</u>	<u>Taber</u> ^(d)	<u>Winnipeg</u> ^(d)
		\$ per cwt.		
Vancouver	10.00	10.00	-	-
Calgary	11.34	10.17	10.97	10.10
Edmonton	11.34	10.17	10.73	10.10
Taber	11.34	10.04	11.34	-
Regina	11.76	9.95	11.02	11.14
Saskatoon	11.76	9.95	10.95	10.93
Winnipeg				
cane	11.49	9.63	-	-
beet	11.34	-	9.98	11.34
Thunder Bay				
cane	10.93 ^(b)	-	-	-
beet	10.78 ^(c)	-	-	9.65

(a) List price less freight cost to destination

(b) Montreal base price for cane sugar plus freight from Montreal

(c) Cane sugar list price less 15¢ per cwt.

(d) Beet sugar

Source: Derived from freight rates supplied by companies and Canadian Freight Association, and list prices

A comparison of the gross returns, f.o.b. point of origin, indicates that sugar produced by the Winnipeg beet sugar factory can compete as far west as approximately Regina and Saskatoon without any significant disadvantage in respect of the return to the plant. The comparisons also indicate that from about Regina and Saskatoon at least to the western border of Alberta, the Alberta sugar beet factories obtain significantly higher returns from sales of sugar than either the Winnipeg or Vancouver plants. It seems clear, from the table, that the market in British Columbia is unlikely to be supplied by beet sugar except in very unusual circumstances, such as might result, for example, from extremely high world prices of raw cane sugar.

The Vancouver refinery would not be required to "absorb" any significant freight cost on deliveries of sugar to the western centres shown in the preceding two tables, except for Winnipeg. However, although the Winnipeg factory would be required to "absorb" a freight cost of 20¢ per hundredweight, to deliver refined sugar to Regina, the return to the Winnipeg plant would be \$11.14 per hundredweight compared with the \$9.95 which would be received by the Vancouver plant. In fact, the beet sugar factories receive substantially higher returns from sales in the Prairie Provinces than would the Vancouver refinery, although at some locations the pricing system makes it appear that they are at a serious disadvantage.

Refiners' Methods of Pricing Refined Sugar

In the preceding sections the relationship between the announced London Daily Price for raw sugar and the price paid for raw sugar by Canadian refiners, was discussed; the geographic aspect of the pricing of refined sugar in Canada, as affected by the base point-freight equalization system, was then discussed. In the present section, the relationship between the price paid by refiners for raw sugar and the price they charge for refined sugar is examined.

All manufacturers of refined cane or beet sugar in Canada establish list prices for the range of products which they sell. The list prices are generally deemed to be public information; it is assumed in the trade that the listed prices of each manufacturer become common knowledge among both customers and competitors. Price lists were received by the Board from all Canadian refiners and no refiner requested that his listed prices be kept confidential.

The list prices are established for a basic grade and package of sugar, a 100-pound paper bag of fine or special fine, white granulated sugar; sugar of other qualities or in other packages, and syrups, are listed at price differentials above or below the price of the basic grade. The price differentials are usually fairly constant, in that an increase in the price of the basic grade by 20 cents per hundred pounds is normally accompanied by an increase of 20 cents in the price of other grades of sugar. Occasionally, the price differentials between grades are changed, although much less frequently than are the prices for the basic grade. During 1968, for instance, C. & D. put out 41 lists of sugar prices; 39 of these involved changes in the base price, with accompanying changes in prices for the other grades, but without change in the differentials; one of the two lists involved a change in the differentials between grades, without change in the price of the basic grade.

The fact that the price of the 100-pound bag of sugar is the bench-mark from which the prices of other grades and package sizes of sugar are calculated does not imply that the largest volume of sugar is sold in 100-pound bags. Indeed, while specific information on the proportion of their sugar sold in particular forms or packages was not sought from the Canadian refiners, it would appear, from the available information, that the sale of sugar in 100-pound bags is not large and is probably a declining proportion of the total. The retail market is now strongly oriented towards the sale of sugar in 2, 5, or 10 pound packages, and industrial users are making increasing use of liquid sucrose or liquid invert sugar, and granulated sugar delivered in bulk, loose. Thus, the use of the 100-pound bag as the pricing unit seems to reflect the historic rather than the current market importance of the base unit.

The list prices for the basic grade, and other grades and packages of sugar, are for sugar f.o.b. the refinery. All refineries in Canada allow a two per cent discount if payment is made within a certain period, 15 days in most cases, on the basis of the available information. On any given date, all of the refiners selling sugar in the eastern Canadian market, that is, east of Manitoba, normally have the same list prices for the basic grade of sugar at any one location.

At the public hearing, and by correspondence after the hearing with all refiners operating in eastern Canada, the Board sought to determine how refiners determined the prices which would prevail at any given time. It also sought the reasons for changes in prices, when these did occur. These questions were answered largely in terms of an established relationship between the Canadian refiners' list prices for refined sugar and the London Daily Price for raw sugar.

The C. & D. brief noted that its list prices for refined sugar were related each day to the "world" price for raw sugar. (Vol. 1, p. 54) More specifically, the company reported that when the London price of raw sugar went up by 15 cents per hundred pounds, their prices of refined sugar immediately went up by a commensurate amount, and that the reverse happened if London prices of raw sugar fell. (Vol. 1, p. 242, 243) This relationship between the Canadian price of refined sugar at Montreal and the London Daily Price for raw sugar was stated to be maintained by means of a complicated formula (Vol. 1, p. 245); the details of this formula were submitted by C. & D. to the Board, in confidence.

Spokesmen for the other eastern refineries, when asked how their refined sugar prices were determined, also indicated the use of a pricing formula. The pricing formulae of Cartier Sugar and Atlantic Sugar were also submitted to the Board, in confidence. The spokesmen for St. Lawrence Sugar did not feel that its pricing formula was a subject that needed to be kept in confidence; they submitted price calculations to indicate how the company determined its basic price for refined sugar, using specific prices on a particular date and referring to the 98° sugar which it normally uses; these calculations were filed as Exhibit 2.1, at the public hearing. The following shows how the calculation is made but omits some of the details which relate to the conversion of the LDP to a c.i.f. Montreal basis; these details were shown earlier, in the section dealing with the pricing of raw sugar.

Table 22: Derivation of the List Price of Refined Sugar
by St. Lawrence Sugar Ltd., January 16, 1970

LDP (price of raw sugar c.i.f. London England)		£34-0-0 per long ton
LDP converted to Canadian currency at \$2.5749 to the £U.K.		\$87.546 per long ton
		dollars per cwt.
LDP, c.i.f. London		3.908
Cost of raw sugar c.i.f. Montreal, includ- ing pref. prem. and B.P. duty, 98 ⁰		4.927
Add discharge and handling costs	.060	
Cost of raw sugar stored in warehouse per cwt. of raw sugar		4.987
Adjust cost of raw to allow for yield of 100 lbs. refined from 103.5 lbs. raw		5.162
List price of refined sugar, Montreal		8.250
Deduct 2% discount for payment within 15 days	.165	
Discounted list price of refined sugar, Montreal		8.085
Refiner's margin (\$8.085-\$5.162)		2.923

Source: Derived from Exhibit 2.1

The details of the calculations by St. Lawrence, and others, in converting the London Daily Price to a c.i.f. Montreal basis, are quite standard. The relatively small costs of discharge and handling may vary somewhat in the calculations of different refiners, but by very little per 100 pounds of sugar and would have hardly any effect on the list price calculated. The determination of the amount of raw sugar of a given polarization required to produce 100 pounds of refined sugar is also quite standard and can be derived from the formula, $2P - 100 = \text{yield of refined sugar from 100 pounds of raw sugar whose polarization is "P"}$. Thus, the one detail of the calculation, common to all of the formulae, an extremely important one, which is "given" but not explained, is the method by which the refiner's margin is established.

As noted, the cost of discharge and handling may vary between refiners and also from time to time for the same refiner. To avoid the difficulty of comparing various formulae in which this cost is different, discharge and handling expenses have been included in the refiner's margin; the margin is somewhat larger as thus calculated, to cover these additional costs. In effect, this nominal margin is the difference between the gross list price of refined sugar in 100-pound paper bags, less two per cent discount for cash, and the calculated c.i.f. cost at Montreal, duty-paid, of an equivalent quantity of raw sugar imported under the B.P. Tariff.

On examination, the confidential formulae of the other sugar refiners turned out to be similar to that of St. Lawrence, although they were not identical with it in all particulars. All of the formulae were also very similar to a method used in making this kind of calculation in a formula submitted by C. & D. and said, by its spokesman, to be public knowledge. Accordingly, if each refiner's formula were to be

used to derive a list price for refined sugar, from any particular level of the London Daily Price, the resultant list prices would be quite similar, but not identical.

On the basis of information submitted to the Board, it appears that the other cane sugar refiners assume that the "refiner's margin" used in the formula of C. and D. will remain constant in the short run. Then, by using this margin in their own formulae, they can calculate the list price which will be issued by C. & D., taking into account that C. & D. will announce a change only when the list price, as that company calculates it, changes by at least ten cents a hundredweight and will be rounded to the nearest five cents. Of course, other refiners can wait until C. & D. announces its new list price but the details of the various formulae are basically so standard, apart from the refiner's margin, that this is not necessary. In effect, therefore, the eastern cane sugar refiners, other than C. & D. derive their operating, or refiner's margin, from the list prices issued by C. & D.

This conclusion appears to be implicit in the sequence in which the details of the calculation are presented in the submission of St. Lawrence Sugar, given earlier. The margin is the last component of the formula to be shown and is derived by subtracting the cost of an equivalent quantity of raw sugar, stored in the refinery warehouse, from the list price of refined sugar f.o.b. Montreal. The more logical sequence would have been to cite the company's refining margin and then to derive the list price. In any case, whether or not such an inference can be taken from the St. Lawrence exhibit, the conclusion is supported by statements submitted to the Board after the public hearing by officers of Canadian sugar refining companies.

Thus, price leadership by the largest refining company of the industry would appear to exist in the Canadian market. The situation would appear to be a specific instance of the general case described by the Director of Investigation and Research under the Combines Investigation Act, in his annual report for the year ended March 31, 1965. On that occasion, the Director reported:

"In a market characterized by a homogeneous product and relatively few firms, any difference in the prices at which the firms regularly sell the product can only be temporary unless some unusual factor is present. In this type of market a price reduction by one seller will normally be followed by a price reduction on the part of other sellers and unless industry sales have expanded significantly each firm will usually retain its original share of the market at a lower margin of profit. For this reason, sellers in such a market tend to avoid any action which would result in such instability and, as long as the price structure is not disturbed by others, they are reluctant to make any price concession that may be detected by their competitors. Rather, a seller in this type of market tends to assume that if all sellers quote list prices, and factors other than price create no preference, he is just as likely as any of his competitors to receive the business, or a share of it, at list prices."

Sugar is, of course, a classic example of a homogeneous product. Granulated white sugar does not lend itself to any kind of product differentiation, as between one manufacturer's product and that of others as, for example, by an advertising program. "Sugar is sugar" and the uniformity of the output of different refiners is a virtually guaranteed requirement of the definition of the Department of National Health and Welfare that the principal product of all companies, granulated white sugar, should be composed, to the extent of 99.8 per cent of the total weight of the product, of a single chemically-defined ingredient, sucrose.

The formulae used by Canadian refiners consist of two principal parts: in the first they convert the London Daily Price (c.i.f. London) to the corresponding cost, stored in warehouse at Montreal, for a quantity of raw sugar required to yield 100 pounds of refined sugar; in the second they add the refiner's margin per 100 pounds of refined sugar, to the figure which has been obtained in the first step. The end result of the first part of the calculation will be almost identical no matter which refinery makes it. The only detail which is different in any refiner's calculations is that pertaining to the additional costs of handling and discharge of raw sugar from the ship into the warehouse. In the St. Lawrence calculation this cost was given as six cents per hundredweight, a relatively low figure; the public C. & D. calculation allows 13 cents for these additional costs. The difference between the six cents of the St. Lawrence formula and the 13¢ of the public C. & D. formula is of small significance relative to the total cost of raw sugar c.i.f. Montreal, \$5.75 per hundredweight, in early January of 1971. For convenience, the Board's calculations include the discharge expenses in the refiner's margin.

It is the second part of the calculation, in which the refiner's margin is added, which is significant. The St. Lawrence formula results in a margin of \$2.983 per hundredweight of refined sugar using 98° raws, and the public C. & D. formula in a margin of \$2.96 using 97.5° raws. This margin, the difference between the discounted list price of refined sugar, f.o.b. Montreal refinery, and the cost of an equivalent amount of raw sugar c.i.f. Montreal, provides for all of the expenses incurred in producing and distributing refined sugar, as well as for the profits of the refinery. Presumably, this actual margin is different for each refinery unless each has identical c.i.f. costs of raw sugar. Yet, as the preceding analysis has indicated, each of the eastern cane sugar refineries faces a market situation which makes it expedient for them to follow a pricing policy which assumes an identical refiner's margin for all refineries. In such a situation, profits should reflect the differences in efficiency and related factors which, in other industries, would also be apparent in price competition.

The Board has not received completely satisfactory answers to its questions as to the constancy of the refiner's margin, and the reasons for the establishment of the margin at any particular level, at any particular time. It is clear, of course, that the margin will mean one thing to a price leader, and something else to price followers. Presumably, a price leader, for whom the margin is a constant only in the short term, must continually examine his processing costs and, when these change, is faced with the choice of maintaining the existing margin or changing it so as to maintain some pre-determined level of profitability. Price followers, who derive their margin by subtracting

their laid-down cost of raw sugar from the prevailing list prices, will accept the margin; to them the margin will represent the level below which they must hold their fixed and variable costs, in order to operate at a profit.

If, for instance, one of the price followers was able to incorporate cost-saving innovations into the refining process, innovations which were not simultaneously incorporated into the processes of the price leader, the savings represented by the innovation would accrue entirely to the price follower as extra profits, rather than being passed on to the refinery's customers in the form of lower sugar prices. Because prices are taken as given, they are not likely to be affected by such changes in processing costs unless the innovation is adopted by the price leader and results in a change in his refining margin, or is incorporated into the processes of other refiners and results in rejection of the price leader and increased price competition.

The refiner's margin, as calculated by St. Lawrence in its Exhibit 2.1, was \$2.913 per hundred pounds of refined sugar on January 16, 1970; C. & D. submitted that its margin, on October 1, 1969, was \$2.83 per hundred pounds. (Vol. 1, p. 115) The difference of about eight cents per hundred pounds of refined sugar is explained mainly by the cost attributed to transferring raw sugar from the ship's hold into storage. Both figures exclude discharge expenses; had they been included in the margin the refiner's margin for St. Lawrence would have been \$2.98 and for C. & D., \$2.96.

To ascertain how a Canadian refinery, other than C. & D., might go about calculating a list price using the approximate refiner's margin derived from another refinery's calculation and the list price which might be issued by that refinery, the Board used the St. Lawrence pricing formula but included discharge expenses in the margin. For December 1970, the LDP was assumed to be £44-0-0 (the approximate average LDP for December 1970, for 96° raw sugar per long ton, c.i.f. U.K.) and for January 4, 1971 the LDP was the actual for that day, £45; in both cases the freight cost from the Caribbean to the U.K. was taken as £4-10-0, the actual freight-cost component of the LDP, announced by the Price Committee, in London, for January 4, 1971. For convenience, the value of the £U.K. was taken as \$Can. 2.44 the approximate rate in December, 1970 and January 1971. The list price of refined sugar, in December 1970, f.o.b. Montreal, was taken as \$9.45 per 100 pounds, the list price in effect during most of that month; the list price which would correspond with the LDP of £45-0-0 per long ton was that which came into effect on January 6th, 1971, at Montreal. The following calculations are based on the above assumptions.

	<u>December 1970</u>	<u>January 4, 1971</u>
LDP per long ton	£44-0-0	£45-0-0
LDP in Canadian \$	\$ 107.36	\$ 109.80
	dollars per 100 pounds	
LDP per 100 lbs.	4.793	4.902
Less 30% of Carib.-U.K. freight	.147	.147
Add 75¢ share of preference	.750	.750
96° sugar c.i.f. Montreal	5.396	5.505
Pol. premium on 98° sugar	.151	.154
Add B.P. duty on 98° sugar	.307	.307
Raw sugar, c.i.f. Montreal	5.854	5.966
Raw converted to 100 lbs. refined (x 1.042)	6.100	6.217
List price Montreal	9.45	9.60
Less 2% cash discount	.189	.192
Refiner's margin	3.161	3.191

It is obvious that anyone can duplicate the above calculation from data which is available to the public. In a refinery, this type of calculation would be made daily, using the appropriate public information respecting the LDP, the freight component of the LDP, the current exchange rate and so on. The LDP, on January 4, 1971, reflected a sharp rise in raw sugar prices and on that day each refiner could calculate that the cost of an amount of raw sugar required to produce 100 pounds of refined sugar, based on the LDP of that day, was \$6.22 exclusive of discharge expenses. Knowing that the margin that had been derived from a recent list price (December 1970) was \$3.161, this amount would be added to the \$6.22, indicating a discounted list price of \$9.38 per hundredweight. Because the \$9.38 already takes account of the two per cent cash discount, the corresponding list price, before the discount, would be \$9.57, a change of 12¢ a hundredweight from the previous list price. Because the change is more than ten cents per hundredweight from the previous list price, it would be known by all that a new list would be issued; rounding this figure to the nearest five cents above \$9.57 would result in a list price of \$9.60 per hundredweight, the list price which came into effect, in Montreal, on January 6, 1971.

Thus, each refinery in Canada, using its own confidential formula and taking the LDP for any particular day, can calculate within very narrow limits the corresponding base point list price of refined sugar and, simultaneously, the approximate list price which would be calculated by every other Canadian refinery. Moreover, because it is the custom to issue new list prices only when a change of ten cents per 100 pounds, up or down, is involved, and also because the new list prices are customarily rounded to the next nearest five cents, it is hardly surprising that the list prices of eastern refiners tend to be identical and that changes in list prices are almost invariably made by all eastern refiners on the same day. The following table shows the changes in list prices issued by the major eastern refiners between November 1970 and late January 1971.

Table 23: Changes in Published List Prices of Refined Sugar, in 100 lb. Paper Bags, f.o.b. Montreal, Issued by Major Cane Sugar Refineries Located East of Manitoba, November 1970 to January 1971

<u>Date Price List Effective</u>	<u>List Price Issued on Date Shown</u>		
	<u>C. & D.</u>	<u>St. Lawrence</u>	<u>Atlantic</u>
	\$ per cwt. in 100 lb. paper bags		
<u>1970</u>			
Nov. 6	9.40	9.40	9.40
11	9.30	9.30	9.30
13	9.15	9.15	9.15
20	9.35	9.35	9.35
23	9.45	9.45	9.45
30	9.35	9.35	9.35
Dec. 30	9.45	9.45	9.45
<u>1971</u>			
Jan. 6	9.60	9.60	9.60
14	9.90	9.90	9.90
18	10.35	10.35	10.35
19	10.15	10.15	10.15
20	9.95	9.95	9.95
21	10.10	10.10	10.10

Source: Price lists issued by companies

The refiner's margin, calculated as discussed in the preceding text, would be very close to the average actual margin, for refined sugar which was sold at the list price less cash discount. However, although a large proportion of the raw sugar purchased by Canadian refiners is priced on the basis of the prevailing LDP, with adjustments as described, the actual price, c.i.f. Canadian port, may vary slightly. To the extent that refiners are able to obtain raw sugar more cheaply than is indicated by the calculations, their refining margin will be larger; the price of raw sugar c.i.f. Montreal, as calculated, would represent a maximum price in most transactions. Also, the yield of 96 pounds of refined sugar from 100 pounds of 98° raws, used in the calculations, probably understates the actual yield and, therefore, also the margin. Canadian refiners who produce soft sugars would obtain a significantly larger yield than indicated with a corresponding effect on the margin.

On the other hand, it must be kept in mind that the discounted list price represents the maximum return to the refinery for granulated sugar. As noted elsewhere, sales of sugar for industrial use are currently nearly 60 per cent of the total sales and some part of these sales would be subject to quantity discounts from the list prices. Sales in large quantities, for example, to chain stores may also be subject to discounts from the list prices. Thus, although the refiner's margin, as derived in the preceding computations, is a useful measure for comparisons over time or between different regions or countries, it is not a precise measure of the sum of costs and profits.

THE NOMINAL REFINER'S MARGIN

The "refiner's margin" or more correctly, the nominal "refiner's margin", can be derived in a variety of ways. As calculated in the preceding section, it would be an approximate measure, in dollars, per hundredweight of refined sugar, of the amount available to a refiner to pay all fixed and variable costs, other than the cost of raw sugar, and for profits. If such a calculation is used in making comparisons between refineries or between the refining industries of different countries, the actual average polarizations of the raw sugars must be known, their cost c.i.f. refinery, their yield of refined sugar and the actual sales value of this refined product. Because such data are generally not available, other methods of calculating a nominal refiner's margin are widely used, in order to make approximate, though not precise, comparisons. Differences in the magnitude of the margin may reflect differences in efficiency, profits, market competition, tariff protection, or a combination of these factors.

The U.S. Department of Agriculture (U.S.D.A.) publishes a refiner's margin which, like other such calculations, avoids the necessity of making assumptions regarding the actual average polarization of the raw sugars used; it is understood that this calculation is actually prepared by Lamborn & Company, Inc. The method is given below, as published for the calendar year 1969.

	U.S. cents per lb.
Raw sugar 96 ⁰ , c.i.f. basis New York	7.124
Average duty paid	<u>.625</u>
Raw sugar, duty paid, c.i.f. New York	7.749
Refined cane sugar, net cash, New York, 100 lb. bags	<u>10.692</u>
Refiners' theoretical margin	2.943

Source: U.S.D.A., Sugar Statistics, and related data, Statistical Bulletin No. 293

The calculation reports the difference in value, at New York, between 100 pounds of refined sugar and 100 pounds of raw sugar, duty paid. No attempt is made to take account of the fact that 100 pounds of 96⁰ raw sugar will yield less than 100 pounds of refined sugar; this results in a wider margin but does not affect the usefulness of the calculation for the purpose of examining changes in the magnitude of the margin over time. A weekly report published by another large, New York, sugar brokerage company, B.W. Dyer & Company, includes a similar calculation on a regular basis.

The methods used by the U.S. brokerage companies result in a wider margin than the formulae used by Canadian refineries in deriving their list prices from the LDP, but the similarity in approach is apparent. The most important difference in methodology is that the U.S. calculations take no account of the fact that it requires more than 100 pounds of raw sugar to produce 100 pounds of refined sugar.

In this section the U.S. method of calculating the nominal refiner's margin has been modified to take account of the yield of refined sugar from 96° raws and is taken to be the difference between the net cash list price of refined sugar f.o.b. refinery and the cost of an equivalent amount of 96° raw sugar, c.i.f. refinery, duty paid. By allowing for the approximate additional quantity of 96° raw sugar required to produce 100 pounds of refined sugar the calculated margins correspond more closely to those which would be used in the list-price formulae of Canadian refiners; by using 96° raw sugar as the basis for the calculations, the need for making assumptions about the average polarizations of the raw sugars actually used, is avoided. The calculations assume that 107 pounds of 96° raws are required to produce 100 pounds of refined sugar.

The refiners' margins in Canada, the U.S.A. and Britain were compared for the period 1961 to 1970; the refiner's margin in Britain is that which applies to sugar for the home trade; the British margin on export sugar was substantially lower. The Canadian margin is based on Montreal, the U.S.A. margin on New York. The results of the calculations are presented below.

Table 24: Comparison of Refiners' Margins in Canada,
the U.S.A. and Britain, 1961-70

	<u>Canada</u> <u>(Montreal)</u>	<u>U.S.A.</u> <u>(New York)</u>	<u>Britain</u> <u>(London)</u>	<u>Amt. Canada Over:</u>	
		- dollars per 100 pounds		<u>U.S.A.</u>	<u>Britain</u>
1961	2.48	1.97	2.18	.51	.30
1962	2.44	2.10	2.01	.33	.43
1963	2.21	2.58	1.75	-.36	.46
1964	2.55	2.75	1.71	-.20	.84
1965	2.70	2.44	1.91	.26	.79
1966	2.72	2.30	2.12	.41	.60
1967	2.69	2.26	2.22	.43	.47
1968	2.90	2.26	2.04	.64	.86
1969	3.00	2.59	1.94	.41	1.05
1970	3.07	2.69	2.08	.38	.99
<u>By Quarters</u>					
1969 1st	2.93	2.22	1.93	.72	1.00
2nd	2.97	2.53	1.84	.44	1.13
3rd	3.09	2.82	2.02	.27	1.07
4th	2.99	2.79	1.97	.19	1.02
1970 1st	3.04	2.57	2.09	.47	.95
2nd	3.07	2.61	2.23	.46	.84
3rd	3.06	2.66	1.97	.40	1.09
4th	3.11	2.89	1.99	.22	1.12

Source: Various published data

During the ten-year period covered by the calculations the Canadian margin was substantially higher than the British home trade margin in every year. Relative to the margin in the U.S.A., the Canadian margin was higher in eight of the ten years; it was lower than that in the U.S.A. only in 1963 and 1964. Although the table shows summaries by quarters for 1969 and 1970, the margin was actually calculated on a monthly basis for those two years. In the 24 months so calculated the Canadian margin was higher than those in the U.S.A. and Britain in 23 and 24 months, respectively; it was slightly lower than the U.S. margin only in July 1969 when the U.S. margin was higher by three cents per 100 pounds.

Table 24 indicates that the Canadian margin has increased substantially during the decade of the 1960's, but that the refiners' margins in the U.S.A. and Britain showed no particular trend. Although the U.S. margin appears to have been increasing in the latest two years, the British refiner's margin was the same in recent years as it was ten years earlier. In fact, British refiners have undertaken to limit their average margin on home trade granulated sugar in 112-pound paper sacks to an amount which was changed, on January 1, 1971, to £16.566 per long ton, or approximately \$1.80 per 100 pounds at May 1971 rates of exchange.

The period 1961-65 was unusual with respect to supplies and prices of sugar. U.S. refiners were adjusting to procurement of raw sugar supplies from countries other than Cuba in 1961, and 1963 and 1964 were years of unusually high world prices for raw sugar. In this period the Canadian refiner's margin increased by less than that in the U.S.A. but by substantially more, in percentage terms, than that in Britain, although it was already considerably higher than the British margin in 1961. Between 1965 and 1970, the Canadian and U.S. refiners' margins both increased, but the British margin showed very little change.

The difference in the size of the Canadian refiner's margin relative to those of other countries represents the additional cost to Canadian purchasers resulting from either the larger costs of Canadian refiners or their greater profits, per 100 pounds of refined sugar. The approximate total additional cost to Canadian purchasers can be calculated by applying the differences to the total shipments of refined sugar.

In recent years, total shipments of granulated cane sugar have been about 13.4 million hundredweight annually and this figure was probably not significantly different in 1970, when the Canadian refiner's margin exceeded that of the U.S.A. by 38¢, and that of Britain by 99¢ a hundredweight. Applying these differences to the total shipments suggests an additional total charge to Canadian purchasers of \$5,092,000 relative to U.S. refiners and of \$13,266,000 relative to British refiners, for similar quantities of refined sugar. As noted, this relative 'overpayment' could be the result of higher costs, higher profits, or a combination of both. However, the persistence of a larger margin is

possible only where the market in which the larger margin occurs is protected by institutional factors within that market, the rates of duty on refined sugar, costs of transportation from sources of competitive supplies, or as the result of a combination of these factors.

In Britain, the refiner's margin became subject to an undertaking given, in 1956, to the then Chancellor of the Exchequer, by Tate & Lyle Limited, the dominant refiner in that country; it is apparent, from the reports of the British Sugar Board, that the margins in Britain are under constant review to ensure that the commitment to the British Government is observed. In part, this may explain the low level of the British refiner's margin relative to those of the U.S.A. and Canada.

On April 7, 1971, the undertaking by Tate and Lyle was extended to cover bulk deliveries and the company undertook to limit its average margin on home trade granulated sugar in 112-pound paper sacks, for any immediately preceding period of 12 months, to £16.566 per ton, about \$1.80 per 100 pounds in Canadian funds, in May 1971.

In general terms, Tate & Lyle undertook to change the company's margin in direct relation to certain indicators of costs, including the seasonally adjusted index of earnings of all employees in all industries and services, the wholesale price indexes for coal, for materials used in mechanical engineering and for multi-ply paper sacks for food; it is to vary inversely with changes in the contract price of molasses. The margin is to be calculated by subtracting from the discounted list price per hundredweight of refined sugar (to buyers of 1,000 ton lots) the cost per hundredweight of raw sugar of 98° polarization, plus surcharge (or less distribution payment), plus duty, if any, and allowing for a yield of 95.6 per cent from the 98° raw sugar; generally, this was the method used in the preceding table.

In the U.S.A., there is no control over the margin nor any undertaking by refiners regarding it. Apparently, it is assumed that the operation of competitive forces in the market will provide the protection for the consumer that the Tate & Lyle undertaking was designed to achieve. The letter from Tate & Lyle to Mr. MacMillan, the Chancellor of the Exchequer on December 6, 1956, states in part:

"The combined effect will be that home consumption will be satisfied ... largely at prices which will be higher than so-called world prices. This fact alone makes it important that refiners should allay any fears which the public or Parliament may hold that the United Kingdom consumer can be exploited by British refiners."

It is apparent from the data that the validity of the margins rests on the comparability of the actual and calculated costs of raw sugar and on the actual and calculated unit returns for refined sugar. Therefore, comparisons were made of these data for the Canadian market using only the three Montreal refineries, because all of the calculations were based on Montreal.

Table 25: Comparison of Actual and Computed Costs of Raw Sugar and Returns at Plant from Refined Sugar, Average of Montreal Refineries, 1965-69

	Cost of Raw Sugar c.i.f. Montreal, Duty Paid			Price of Granulated Sugar f.o.b. Refinery, Montreal		
	Computed ^(a) Actual ^(b)		Computed Actual	Computed ^(c) Actual ^(d)		Computed Actual
	\$ per 100 lbs.			\$ per 100 lbs.		
1965	3.80	4.03	-0.23	6.69	7.58	-0.89
1966	3.39	3.61	-0.22	6.25	6.38	-0.13
1967	3.64	3.48	+0.16	6.49	6.59	-0.10
1968	3.49	3.53	-0.04	6.55	6.91	-0.36
1969	4.90	4.59	+0.31	8.12	8.02	+0.10

- (a) Based on adjustments to LDP and converted to 98° polarization
(b) Includes unloading cost varying from about 6¢ to 13¢ per 100 lbs.
(c) List price of granulated fine sugar less 2% discount
(d) Unit value of shipments.

Source: Various publications

From 1965 to 1969, the computed cost of raw sugar was very close to the actual cost and, apart from 1965, the computed return from refined sugar was a fairly accurate reflection of the actual return, although the computed return was lower than the actual return, except in 1969. Thus, it seems reasonable to conclude that the costs and returns used in calculating the Montreal refiners' margins reflect the actual average costs and gross returns fairly accurately and that the refiners' margins, as calculated, tend to understate the average margins of Montreal refiners, in most years.

A comparison of the actual weighted average margin of the Montreal refineries with the margin derived from the LDP and list prices indicates that in four of the five years the actual margin was significantly larger than the calculated margin. Thus, large as the Canadian refiners' nominal margin appears to be in comparison with those of the U.S.A. and Britain, their actual margin is even larger and the differences given previously appear to be understated.

Although refiners establish list prices on a fairly uniform basis and are able to calculate the approximate refiner's margin that any other refiner may use in his pricing formula, the actual margin which any refiner will achieve depends on his costs of raw sugar and returns of the refinery. Therefore, the margins of individual refineries were examined to establish what differences, if any, existed. The results are given below, for the period 1965-69. To avoid violation of confidentiality the data are presented in the general order of the magnitude of the margin during the period covered, that is, the company with generally the highest margin is given first and so on.

Table 26: Comparison of Actual Refiners' Margins of Canadian Cane Refineries on Granulated Sugar, 1965-69

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	wtd. average margin in \$ per 100 lbs.				
Co. A	3.24	3.08	3.62	3.32	3.28
Co. B	2.82	3.13	3.95	3.30	4.72
Co. C	3.17	2.96	3.40	3.49	3.94
Co. D	3.18	2.32	3.05	3.41	3.10
Co. E	3.74	2.96	2.85	3.11	3.42
Co. F	<u>2.79</u>	<u>2.71</u>	<u>3.11</u>	<u>3.15</u>	<u>3.29</u>
Total Canada	3.21	2.87	3.32	3.33	3.63
Montreal refineries	3.38	2.64	2.98	3.26	3.28
Other refineries	3.11	3.02	3.57	3.39	3.89

Note: Computed by deducting from unit value of shipments of granulated cane sugar, the cost to each refinery of an equivalent amount of raw cane sugar, as indicated by the weighted average polarization of raws purchased

Although the first two companies, in terms of general size of margin (A and B) tend to be near the top of the group in this respect during most of the five years, 1965-69, and companies E and F tend to be near the bottom, individual company rankings are not consistent in all years. In general, certain companies tend to have larger margins than others and the companies with larger margins are more likely to be in locations other than at Montreal.

The comparison of the actual margins of the three Montreal refineries with those of the three other refineries indicates that the average margin of the refineries at Vancouver, Toronto and Saint John, taken together, is usually larger than that of the Montreal refineries. In four of the five years the average margin of the other refineries was higher than that of the Montreal refineries.

The Vancouver refinery and, to a lesser extent, the one at Toronto, are insulated from the competition of other Canadian refineries by costs of overland transportation into their principal market areas. Shipping statistics and other public information indicate that the Saint John refinery has a substantially larger output than that of any other in Canada and that it operates at a higher percentage of its designed capacity; this may be reflected in lower costs arising out of economies of scale and utilization. Also, the Saint John refinery has lower wage rates and incurs lower costs of ocean freight on deliveries of raw sugar; these factors could have a significant effect on its costs and profits. However, whatever the reasons, the average margin of these three refineries, taken together, is significantly higher, in four of the five years given in the table.

A significant feature of the preceding table, is the range of the magnitude of the margins of individual companies in specific years; the ranges are shown below together with the differences.

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	\$ per 100 lbs. of refined sugar				
Highest margin	3.74	3.13	3.95	3.49	4.72
Lowest margin	<u>2.79</u>	<u>2.32</u>	<u>2.85</u>	<u>3.11</u>	<u>3.10</u>
Difference	.95	.81	1.10	.38	1.62
% difference	34.1	34.9	38.6	12.2	52.3

The margin is the amount per 100 pounds of refined sugar which is available to a refinery to cover all fixed and operating costs, as well as profits. Differences in the size of the margin of individual refineries reflect differences in levels of costs, of profits, or of both and it would be most unusual if they did not exist. However, their size suggests unusually large differences in levels of costs and profits for an industry which has seen no failures for decades and two entrants in fairly recent years.

In a competitive market, where profit margins were small, the high cost companies would probably incur substantial losses in some years; such a situation might develop as a result of competition for the market supplied by the three Montreal refineries and the one at Saint John. For the Vancouver refinery potential imports provide the only competition; within the limitations that they impose on prices, this refinery could incur both high costs and high profit margins. Costs of transportation also insulate the Toronto refinery from the competition of other refineries, though to a lesser extent than the Vancouver plant and the Toronto plant could also have relatively high costs and profit margins even if other refiners competed in its principal market area. The profits of the Canadian refineries will be examined later; their costs are analysed in the following paragraphs.

In the preceding discussion, the refiner's margin was computed from the costs of raw sugar and the returns to refineries from granulated cane sugar; in the following, the refiner's margin is examined in relation to the total returns of the refineries from the variety of cane sugar products which they sell. Therefore, the refiner's margin was recalculated taking into account shipments of all cane sugar products; sufficient detail for these calculations is available only since 1966.

Table 27: Comparison of Refiners' Margins on All Refined Cane Sugar Products with Margins Based on Granulated Cane Sugar, 1966-69

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	\$ per 100 lb. refined product			
<u>Basis All Products</u>				
Montreal Refineries	2.80	3.10	3.35	3.44
Others	3.18	3.72	3.58	4.07
Canada	3.02	3.46	3.48	3.80
<u>Basis Granulated Cane Sugar</u>				
Montreal Refineries	2.64	2.98	3.26	3.28
Others	3.02	3.57	3.39	3.89
Canada	2.87	3.32	3.33	3.63

As the table indicates, the margins of all refiners are larger when all products are taken into account than when only granulated sugar is the basis of the calculations. However, the margins of the refineries located elsewhere than at Montreal continue to be substantially larger than those of the Montreal refineries. The data continue to indicate substantial regional differences and suggest large differences between individual refineries with respect to costs and profits.

The regional differences, noted previously, are also evident in the operating cost comparisons. The three refineries not located at Montreal, taken together, have substantially higher average refiners' margins than the three Montreal refineries and they also have significantly lower average operating costs.

The picture, which emerges from the preceding analysis, is of an industry whose refiners' margins are considerably higher than those of the two countries with which they were compared. This suggests a relatively high level of protection afforded by the Customs Tariff, by non-tariff barriers (specifications of what may be sold as "sugar", for example), by insulation from competitive supplies because of high costs of transportation (the nearest potential suppliers are Cuba and Mexico because Canada cannot import refined sugar from the U.S.A. under the terms of the International Sugar Agreement), by institutional factors, (the retail market demand is for particular kinds and sizes of package) or some combination of these.

The magnitude of the costs, returns, the refiner's margin and profits, within the Canadian market, shows wide variations in all of the factors examined both between regions and, more particularly, between individual refineries even when operating in a more-or-less homogeneous market area. Also, the analysis indicated that certain refineries were generally high-cost (but not necessarily low-profit) and certain others generally had low costs. Usually, such differences would be expected to lead to financial losses and, eventually, to business failures or mergers; this is not the case with respect to Canadian cane refineries and, in fact, two new plants have been established, in approximately the past decade, in spite of the obvious over-capacity of the industry to supply the domestic market demand, virtually the only outlet for the industry's output.

The above situation suggests a lack of competition between domestic refineries. As noted, this could readily occur in certain market situations simply because the best interests of each of the companies would be served by following essentially non-competitive policies. To a degree, the differences between performances of individual refineries are attributable to the insulating effect of costs of overland transportation from potential domestic competitors to certain major market areas. The system of pricing by formula, in conjunction with basing-point prices and freight equalization, could contribute to rigidity of margins as well as to permanent price differences in different areas.

Financial Performance of Sugar Refiners

In what follows, the financial performance of the sugar refining industry is compared with that of other domestic industries. All of the comparisons are based on DBS data. Although the DBS figures for the sugar refining industry are slightly different from those submitted to the Board in confidence and relating only to sugar refining operations, their use results in no significant differences in results and avoids problems of confidentiality.

The comparisons include food industries which are not capital intensive as well as others which, like sugar refining, are capital intensive. Two measures were used to establish the capital intensiveness of sugar refining and the other selected industries: wages and salaries as a percentage of the total value added, and the ratio of depreciation to wages and salaries. The preliminary analysis indicated that sugar refining was much more capital intensive than the other food industries but less so than petroleum refining, although much closer to the latter. The comparisons given below include the dairy products industry, a relatively capital intensive food industry; they also include the tobacco products and petroleum refining industries. The sugar refining industry is more capital intensive than the tobacco products industry, but less so than the petroleum refining industry.

Table 28: Financial Performance of Sugar Refineries
Relative to Other Selected Industries, 1966-68

	<u>Dairy Products</u>	<u>Total Food</u>	<u>Tobacco Products</u>	<u>Petroleum Refiners</u>	<u>Sugar Refiners</u>	<u>Total Manufac- turing</u>
<u>Profits^(a) as % of Sales</u>						
1966	3.7	4.4	9.0	9.7	20.8	8.0
1967	3.4	3.1	9.9	9.4	19.8	6.7
1968	3.6	3.6	9.4	12.0	18.9	7.3
<u>Profits^(a) as % of Total Assets</u>						
1966	8.9	9.5	10.3	7.8	15.7	8.8
1967	8.7	6.6	10.3	6.7	13.5	7.4
1968	9.0	7.3	9.4	7.3	12.6	8.0
<u>Profits^(a) as % of Equity Plus L.T.^(b) Debt</u>						
1966	14.4	15.4	17.5	10.1	22.1	13.9
1967	14.7	11.3	19.4	9.0	18.7	11.8
1968	15.2	12.1	16.7	10.6	16.9	12.8
<u>Profits^(a) as % of Shareholders Equity</u>						
1966	15.6	18.0	17.7	11.4	26.6	16.9
1967	17.7	13.7	19.6	10.1	22.0	14.7
1968	17.4	14.9	17.8	12.2	20.3	16.1

(a) Before income tax

(b) Long-term

Source: Derived from DBS data

The ratios by which the financial performance of the various industries are measured are widely accepted. As the table indicates, the sugar refining industry ratios are among the highest in every year for which data are available. The performance of the sugar refining industry also exceeds that of the average of all manufacturing industries with respect to each of the four indicators given in the table, by a wide margin.

In general, the financial data are in accord with the overall impressions given by the preceding analysis of the refiner's margin. Profits of the sugar refining industry as a per cent of sales tend to be high for an industry selling a large volume, undifferentiated, relatively low-cost product. The rate of return on the shareholders' equity is also high, as is the rate of return on shareholders' equity plus net long-term debt. The former is a measure of the return on the shareholders' investment in the sugar refining companies, inclusive of retained earnings and other undistributed surplus; the latter measures the rate of return on the total capital invested in the companies, whether on the part of shareholders or others.

Considering the variability of unit costs, returns, margins and profits, between regions and companies, significant differences between the financial returns of individual companies could also be expected. This is confirmed by an examination of the public, annual reports to shareholders of three companies: Atlantic Sugar, Canada and Dominion, and British Columbia Sugar Refinery; the reports of these three companies cover four of the six cane refineries and, considering the less-than-average size of Cartier, probably account for about 75 per cent of Canadian cane sugar production. However, in spite of the differences, the annual reports of each of the three companies show substantial profits in almost every year since 1960 and no losses.

IMPORTS AND EXPORTS OF REFINED SUGAR

Neither imports nor exports of refined sugar have been a significant market factor in Canada since at least the second world war. Canada has a regular, but relatively small, export trade in refined sugar mainly with countries in the Caribbean, to supply the requirements of these countries in respect of their tourist trade. The imports are even smaller in most years. Imports tend to increase when world prices of sugar are high. In the eleven years, 1960 to 1970, exports have been substantially larger than imports in every year (see table 9).

Imports of Refined Sugar

Imports of refined cane and beet sugar are usually small and have not exceeded 0.3 per cent of Canadian consumption in any year since 1965, the first year in which they were reported separately. Prior to 1965, the statistics included imports of refined sugar with those of a large number of other sugars and syrups, such as invert sugar, dextrose, maltose, glucose syrup, dried corn syrup and several others. However, even when the figures of broader coverage in the years preceding 1965 are used, the picture changes very little. In the past 20 years (1951-70) imports have exceeded one per cent of Canadian consumption in only five years and have been one-half per cent or less, of consumption, in 14 years.

Britain and the U.S.A. have been the only regular suppliers of refined sugar to the Canadian market; most of the other imports consisted of small occasional shipments from a number of other countries. During the 1950's there were also some relatively large imports from Cuba and Mexico. Cuban exports to Canada were fairly large in two years, 1952 and 1953. Imports from Mexico were larger than usual in four years, 1955 to 1958, inclusive, but were of a substantial volume in only one year, 1957.

Imports exceeded one per cent of Canadian consumption in 1951, 1952, 1953, 1957 and 1964; they exceeded two per cent in only one year, 1952, when they were 2.4 per cent of consumption. World prices were unusually high in three of the five years, 1951, 1957 and 1964 and this probably accounted for the higher-than-usual imports in those years. A very large proportion of the world's trade in sugar is under special arrangements, the free market being a residual market where prices are subject to wide fluctuations. As a result Canadian costs of raw sugar rise disproportionately when world supplies are short and the resulting very high prices of refined sugar tend to attract imports.

Table 29: Imports of Refined Sugar, (a) 1951-70

Annual	<u>Britain</u>	<u>U.S.A.</u>	<u>Mexico</u>	<u>Cuba</u>	<u>Total</u>
<u>Averages</u>		-	million pounds	-	
1951-55	*	0.8	1.4	11.4	19.0
1956-60	0.1	0.1	7.8	-	8.7
1961-65	1.7	5.6	0.3	1.7	11.1
1966-70	3.2	0.1	-	-	3.5
<u>By Years</u>					
1965	1.2	*	-	-	1.7
1966	2.9	0.1	-	-	3.0
1967	6.0	*	-	-	6.0
1968	6.1	0.1	-	-	6.4
1969	0.1	0.3	-	-	0.8
1970	1.0	0.1	-	-	1.4

(a) Prior to 1965 includes several sugars and sugar products other than refined cane and beet sugar

Source: DBS, Cat. No. 65-007

Canadian prices of refined sugar were unusually high in four of the five years during which imports were relatively high. In the other year, 1953, most of the imports were entered by May and, as the following quotation explains, involved factors other than those of a purely commercial nature.

The Restrictive Trade Practices Commission (RTPC) Report Concerning the Sugar Industry in Eastern Canada (No. 4) noted that:

"... in 1951 the price of raw sugars went very high and then dropped off sharply ... the two Montreal refiners /C. & D. and St. Lawrence/ required stocks ... before the close of navigation ... and consequently were forced to put these sugars into their warehouses before the cheaper, new crop raws, could be obtained.

"Early in 1952 the situation was, therefore, that the Montreal refiners still had some high price raw sugars to sell as refined and the world price of raws was substantially lower than the cost to the refiners of these raws ...

"In February 1952, Cuban refined sugar was offered in Newfoundland and Ontario. This sugar was sold in 100 lb. bags of granulated sugar ... Cuban refined was being offered /in London, Ontario/ at \$9.40 per 100 lbs., compared with \$10.04 per 100 lbs. for the Canadian product.

"With Montreal as a basing point Canadian refined sold in Ontario at the Montreal price plus the cost of freight. Thus as the location of the sugar buyer became the more remote from Montreal the ... price went up and the market became more attractive to outsiders ...

"Early in 1953 the Cubans undertook not to export refined sugar into the beet sugar areas in Canada if there were direct purchases of raw sugar from Cuba by Canadian refiners ... imports were greatly reduced in June, 1953 and remained small for the rest of the year." (p. 205, 206, 210)

Refined sugar is imported into Canada only in bags of approximately 100 pounds, according to the evidence of refiners. Imports are only for industrial use because of the problems of packaging, distribution and other services involved with sugar for the retail trade. Consequently, the markets for imports of refined sugar would be mainly in Ontario and Quebec and, because of the cost of overland freight, other markets close to seaports. For example, it was said, at the public hearing, that nine million of the 12 million pounds imported from Britain in 1967 and 1968 had been for sale to a manufacturer in Halifax. (Vol. 8, p. 1331)

The industrial market for sugar has been growing steadily and currently accounts for about 60 per cent of Canadian consumption. In 1970, this market was of the order of 1.3 billion pounds, of which an estimated one billion was for granulated white sugar. Although a substantial part of this one billion pounds was presumably used by soft drink manufacturers, canners, confectioners and others, at some distance from seaports, it is apparent that a considerable amount could also be subject to the competition of foreign refined sugar if the imported product could be laid down at Canadian destinations at prices which would attract Canadian buyers.

The B.P. countries which have a substantial refining industry capable of producing sugars of a quality comparable with that of the Canadian refining industry are Australia, New Zealand, South Africa, Swaziland and Britain. It appears to be the policy of the raw sugar exporting countries not to export refined sugar to markets to which they supply raw sugar. The South African representative told the Board that his country would not dream of exporting refined sugar to Canada while it was selling raw sugar here. (Vol. 8, p. 1212) The Australian representative, a senior officer of the Colonial Sugar Refining Company, speaking for the refining industry in Australia went further: he assured the Board that not only would Australian refineries refrain from exporting to Canada while Australian raws were sold here, but so too would the New Zealand refinery in which the Colonial Sugar Refining Company has a financial interest. (Vol. 3, p. 412) The representative of the Swaziland industry took the same position (Vol. 7, p. 1175) as also did the spokesman for Cuba (Vol. 8, p. 1281, 1284). The vice-chairman of Tate and Lyle said his company had little excess capacity and that with high freight rates on refined sugar and expensive port charges he "would not have thought we would often be competitive in the Canadian market." (Vol. 8, p. 1306)

From the above it appears that, at present, the most probable source of B.P. refined sugar is the United Kingdom, but that any substantial competition from imports of refined sugar is likely to originate in M.F.N. countries, particularly in Europe.

In order to assess how competitive imported refined sugar might be, in respect of price, information was obtained regarding the laid-down cost of British sugar, using a containerized vessel. The containers are of metal and packed with 300 to 400 bags of 50 kg. (about 110 pounds), of refined granulated sugar; containers shipped to Canada have been packed to contain about 15½ long tons or approximately 316 bags. The Board was informed that the loading of the bags into the containers can be a difficult operation but that experience in this respect is very variable. The details of the calculation are given below, using the British home trade price less surcharge. This price is for sugar in 112-pound paper bags, approximately the same size of package as was shipped to Canada.

	February	
	<u>1970</u>	<u>1971</u>
	£ per long ton	
British home trade price less 2%	69.09	72.62
Surcharge	16.40	2.00
Discounted list, less surcharge	52.69	70.618
	\$ per 100 lb.	
Discounted list, less surcharge	6.070	7.680
Freight and insurance	1.432	1.356
Special discount on container	.148	-
Wharfage at Montreal	.043	.043
B.P. duty	<u>1.090</u>	<u>1.090</u>
Cost f.o.b. Montreal	8.487	10.169
Canadian list price at Montreal		
less 2%	<u>8.134</u>	<u>9.898</u>
Canadian advantage	.353	.271

As the above figures indicate, British sugar could not compete at Montreal unless discounted below the home trade price. However, the disadvantage of the British exporter would be greater than they suggest. Larger purchasers, who have railway sidings, would usually be able to have orders of the amounts packed in a container delivered at the list price. Delivery of a container would add about 11.5 cents per 100 pounds to the cost of the imported sugar, and a similar cost may be incurred in Britain to deliver a container alongside ship, increasing the total Canadian advantage very substantially. It is noteworthy that the cost of freight and insurance affords Canadian refiners substantially more protection than the B.P. duty on refined sugar.

At the public hearing, there were many references to potential competition from Cuba. Cuba produces high quality refined sugar which it has exported to Canada, although not in recent years. The Cuban spokesman claimed his country could produce refined sugar with a refiner's margin of only 60 U.S. cents per 100 pounds, about 64.4 cents in Canadian funds in January of 1970. With so small a margin Cuban refined sugar would be very cheap, indeed; in 1970, this margin compares with an average refiner's margin of \$3.04 at Montreal, \$2.69 at New York and \$2.08 at London.

Further investigations suggested that a margin, between the cost of raw sugar and the price of refined, of about \$1.00 per 100 pounds or slightly less, could be achieved by a refinery which was adjacent to a raw sugar mill and received hot liquid raw sugar as a raw material and not the granulated raw sugar which is ordinarily used. However, such a margin would obtain only during the harvest period, or for about six months of the year; in the other six months of the year, the refinery would either be closed down or would use granulated raw sugar with a consequential substantial increase in costs. It would be uneconomic to use the refinery only six months because the capital cost involved is high and a lower average cost would result from its operation at as near capacity as possible, the year round. On a year-round basis the margin might be at least double the figures cited by the Cuban spokesman, even if no allowance is made for profit. In its report on eastern refiners, the Restrictive Trade Practices Commission reproduces a calculation made in 1952 by the then president of C. & D. which shows a Cuban refiner's margin of \$1.00 per 100 pounds, at that time. (RTPC No. 4, p. 88)

One of the lowest refiners' margins in the world is that of the British sugar refining industry. As indicated in the section on "The Refiner's Margin", it has been approximately \$2.00 per 100 pounds in recent years and has been as low as \$1.75 per 100 pounds. In the following calculations, the laid-down cost of Cuban refined sugar at Montreal is estimated using some of the figures given by the Cuban spokesman, some given by others at the public hearing and some acquired after the hearing. Two calculations have been made, one of which uses the very low refiner's margin of the Cuban spokesman and the other, using the relatively low British margin of \$2.00 per 100 pounds of refined sugar. It is assumed that 107 pounds of 96° raws are required to produce 100 pounds of refined sugar.

		January 1970	
		With Margin	With Margin
		of \$.644	of \$2.00
		<u>\$ per 100 lb.</u>	
Cost of 107 lbs., 96 raws, in Cuba	3.73	3.73	
Refiner's margin	.644	2.00	
Bags and bagging(a)	.26	.26	
Freight	.483	.483	
Duty	1.89	1.89	
Cost f.o.b. Montreal	7.01	8.36	
Buyer's costs at Montreal(b)	.40	.40	
	7.41	8.76	
Canadian list price at Montreal less 2%	8.09	8.09	
Canadian advantage (+) or disadvantage (-)	-.68	+.67	

(a) Cost of bags in Canada, Vol. 8, p. 1285

(b) Includes estimated costs of terminal charges and delivery from dockside

As noted, the Cuban margin appears to be unrealistically low but even using this very small refining margin, Cuban sugar would be no great bargain to a Canadian user who would be accepting the risk of a decline in price between the time of purchase and delivery and would be buying a relatively large amount of sugar to make the transaction

worthwhile. On purchases of large quantities, Canadian refiners would probably allow a discount of more than two per cent from the list price; the two per cent discount applies to the smallest purchases. The estimates of local charges, at Montreal, are probably fairly close to actual costs but they exclude additional probable costs, such as storage, handling and financing. However, the apparent advantage of Canadian refiners, even if a refiner's margin as low as that of Britain is used in the calculations, is clear from the data.

Other calculations could be made but they would add little to the illustrations given above. It is apparent from the available information that the effect of the rates of duty on refined sugar and the distance of Canadian markets from potential suppliers provide Canadian refiners with considerable protection. The size of the Canadian refiner's margin, the relatively high returns which they obtain fairly consistently, the excess capacity of the industry (sufficient to accommodate Canadian requirements for the next fifteen years, in C. & D.'s brief), and the extremely large proportion of Canadian consumption which they regularly supply, all tend to confirm this.

At the public hearing it was frequently asserted that the product of the Canadian refineries was of a high degree of purity and that many other countries would have difficulty in competing on quality. (Vol. 1, p.300) This did not appear to have allayed fears of competition from abroad, even from refined sugar of reputedly lower quality. (Vol. 5, p. 656) While non-membership in the International Sugar Organization is a bar to certain potential foreign suppliers, such as Hong Kong (Vol. 5, p. 677), the refiners found little re-assurance in this fact owing to the speed with which a country could become a signatory of the Agreement.

However, as the estimated price analyses for the projected imports of refined sugar from the United Kingdom and Cuba show, with the present tariff structure imports of refined sugar would be, at best, only a marginally profitable enterprise. It is likely to remain so unless raw sugar could be obtained at less than world prices. While this would be by no means impossible in view of the surpluses of low-priced beet sugar occasionally offered by European countries, in general, the Anti-dumping Act would preclude refined sugar made from such raws being offered at below the "normal value" in the country of origin of such sugar, when imported in significant quantities.

The Anti-dumping Act is very detailed in its provisions regarding the determination of dumping and related matters and provides many safeguards against the dumping of goods in Canada. However, Canadian refiners expressed concern in respect of those sections of the Act which deal with material injury. Section 4 of the Act provides that:

" 4. There shall be levied, collected and paid upon all dumped goods entered into Canada

(a) in respect of which the Tribunal has made an order or finding, after the entry of the goods, that the dumping of the goods or of goods of the same description

(i) has caused material injury to the production in Canada of like goods, or

(ii) would have caused material injury to such production except for the fact that provisional duty was applied in respect of the goods, and

(b) that were entered provisionally into Canada during the period commencing on the day that the Deputy Minister made a preliminary determination of dumping in respect of the goods or of goods of the same description and ending on the day the order or finding referred to in paragraph (a) was made by the Tribunal,

an anti-dumping duty in an amount equal to the margin of dumping of the entered goods but not exceeding the provisional duty, if any, payable in respect of the goods."

Sections 3 and 5 also deal with material injury.

Although, the Anti-dumping Act has not been used extensively since it came into force, the above quotation, together with many other provisions of the Act, suggest that Canadian refiners would probably be adequately protected against dumping. The products which they manufacture are clearly specified in the regulations under the Food and Drugs Act and are not subject to differentiation with respect to design or application which, in other products, could create difficulties in establishing whether dumping had actually occurred. The requirements of the Act, that dumping has caused material injury, or would have caused material injury, would seem to be a reasonable protection for exporters to Canada and Canadian consumers.

The Canadian refiner enjoys a large element of natural protection inherent in the geography of the country, involving, as it does, particularly heavy overland costs of transportation relative to the low value of the product. However, the impact of foreign competition would be uneven and some of the refiners would be more vulnerable than others. Nevertheless, it would appear that the Canadian sugar refiner probably has more to fear from competition from sugar substitutes than from imported refined sugar.

However, a good deal of the protection against imports of refined sugar arises out of such factors as the assurance of continuing supplies, the availability of contracts with fixed prices over a period of time, rapid delivery of a variety of granulated and liquid sugar products, the availability of credit terms and technical advice, and many other services. The comments of various refiners and others, in respect of services and marketing arrangements, which are important to customers but difficult to quantify, are given below.

"From our customers viewpoint, it can be shown that consistency of quality in the desired grists and packages would be difficult, if not impossible, to obtain on an ongoing basis from sources outside Canada.

"It must be understood that Canadians are accustomed to standards of quality and service not available in most other parts of the world." (Vol. 1, p. 172)

"... in the bottling industry, for instance, not any sugar can be used. They have limits on yeast and bacteria content. In the canning industry they have limits on bacteria content because it affects their process ... and we guarantee these limits." (Vol. 2, p. 225)

"Q. ... if sugar of your degree of purity ... is necessary to industrial users ... how does it come that Canadians find imported products of sugar apparently tolerable ...?

"A. We don't think that any Canadian importer is interested in the risk involved unless there is a considerable cost saving." (Vol. 2, p. 226)

"Q. Presumably this efficient distribution system and the closeness they are to their customers gives the domestic refiner an added advantage in excess, perhaps, of the duty -- in addition to the duty over other countries?

"A. Yes, I would think this is a fair statement ... and this is a valuable asset that Canadian refiners have vis-a-vis foreign suppliers because the customer does not have to finance storages and inventories and he is assured of quality." (Vol. 2, p. 228)

The president of Atlantic Sugar stated:

"If this market [Canada] was going to be served by imported refined sugar ... you would have to have packages-- sorts... of which the market has grown accustomed. ... you also must produce, particularly for certain industrial sugar users, that quality to which they have become accustomed. You must establish depots. You can't bring this stuff over in one ton lots. You need boat loads. You got to put that some place into storage. You get into a distribution problem, you get into a selling problem... you want to be fairly certain that market was there for some time to come before you gave up that nice raw sugar trade that has been steady and your money is on the barrel head." (Vol. 4, p. 561)

The spokesman for St. Lawrence noted:

"... there was mention of the savings in bulk liquid ... we should point out that ... if he buys his sugar in bulk he gets it at twenty-five cents (25) under the cost of the same sugar in a hundred pound bag." (Vol. 8, p. 1391)

The spokesman for South Africa said:

"We would not dream of putting ... refined sugar into Canada ... the cost would probably be uneconomic ... it is transportation, freight costs, but above all sir, it is packaging and we believe that the refiners on the spot know exactly what their ... customers want ..." (Vol. 8, p. 1212, 1213)

A senior officer of Tate and Lyle, commented that:

"With regard to the possible volume of British refined sugar for exports to Canada ... with freight rates on the refined, and expensive ports I would not have thought we would often be competitive in the Canadian Market." (Vol. 8, p. 1306)

The Canadian Industrial Sugar Users said:

"We are strongly of the opinion - there now exists - more than adequate built-in protection for the Canadian Sugar Refining Industry.

"Not only because of their very efficient distribution system; their ability to make fast deliveries allowing industrial users to carry exceptionally small inventories; the fact that they can deliver dry, bulk or liquid sugar at savings of twenty-five to thirty cents per hundred pounds ... but, in addition, because of the high degree of customer service they provide, the wide choice of grades that they make available, the fact that they can supply quality unsurpassed in the world and the technical assistance that they now afford industry, which is extremely valuable. There is no question that the Industrial Sugar Users probably would pay quite a premium to deal with Canadian based sources of supply ..." (Vol. 8, p. 1326, 1327)

Exports of Refined Sugar

Although Canada is a net exporter of refined sugar, total exports are small in relation to production, about two per cent of output. Exports of refined sugar are widely dispersed. Regular exports are mainly to the Caribbean area and this trade has been growing steadily over the past decade; in 1970, Commonwealth Caribbean countries and the Netherlands Antilles, together, accounted for more than 85 per cent of Canadian exports of refined sugar. Other regular importers of Canadian refined sugar have been the United States, Britain, St. Pierre and Miquelon and a large number of islands in the south Pacific Ocean, but the quantities involved are very small. Occasional shipments have been made to a large number of other countries, including Belgium, West Germany, Spain, Iraq, Egypt, South Africa, Tunisia, Japan, Viet-Nam, Mexico and El Salvador.

Table 30 : Canadian Exports of Refined Sugar, 1960-70

<u>Destination</u>	<u>Average</u> <u>1960-63</u>	<u>Average</u> <u>1964-67</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
		-	million pounds	-	
B.P. Caribbean	5.2	16.1	18.7	18.8	20.1
Netherlands Antilles	1.5	11.7	13.6	6.9	6.1
St. Pierre & Miquelon	0.2	0.4	0.5	0.3	0.3
United Kingdom	4.1	1.6	1.0	0.1	0.1
United States	6.7	1.5	6.3	0.7	0.2
South Pacific Region	0.5	0.7	0.4	0.6	0.7
All Others	<u>20.4</u>	<u>4.1</u>	<u>7.5</u>	<u>4.9</u>	<u>2.5</u>
Total	38.6	36.1	48.1	32.3	30.0

Source: DBS, Cat. No. 65-004

The growth of exports to the Caribbean area, for the most part, reflects the increasing tourist trade there and the consequent larger requirements of a higher quality refined sugar than is obtainable from local sources. Exports of soft sugars are an important part of the sales to the United Kingdom. The very occasional, but sometimes relatively large, shipments to other countries appear to be in response to special situations.

IMPORTS OF RAW SUGAR

Apart from the annual production of about 266 million pounds of beet sugar, almost all of the Canadian consumption of more than two billion pounds of refined sugar per year is produced from imported raw cane sugar. Imports of refined sugar are almost negligible and are usually less than $\frac{1}{2}$ of one per cent of Canadian consumption; exports are also relatively small. A summary of the relevant data is given in the following table.

Table 31: Apparent Consumption of Refined Sugar, Selected Years, 1955-69

	<u>Production</u>		<u>Imports</u>	<u>Exports</u>	<u>Apparent Consumption</u> ^(a)	
	<u>Cane</u>	<u>Beet</u>			<u>Total</u>	<u>Per Person</u>
	-	million pounds	-	-	mn. lbs.	lbs.
1955	1,304	275	7.3	2.3	1,523	97.1
1959	1,357	271	1.3	1.4	1,662	95.3
1964	1,539	329	27.2	31.0	1,913	99.2
1965	1,674	311	1.7	37.1	1,961	99.8
1966	1,767	289	3.0	33.6	2,031	101.5
1967	1,771	302	6.0	42.6	2,047	100.3
1968	1,868	240	6.4	48.1	2,113	101.9
1969	1,899	272	0.8	32.3	2,096	99.5
1970	2,000	227	1.4	30.0	2,151	100.6

(a) Takes account of changes in inventories

Source: DBS, Cat. No. 32-222, 65-007

During the five years, 1965-69, production of refined cane sugar has averaged 1.8 billion pounds per year, all of which was produced from imported raw cane sugar; average annual imports of raw sugar, in this period, were 1.9 billion pounds valued at \$52.9 million. From time to time Canada has imported relatively small quantities of raw beet sugar from Europe, but such imports have been intermittent. Although the quantity of raw sugar imported does not vary greatly from year to year, the value is subject to considerable fluctuation, reflecting the volatility of world sugar prices. For example, in 1962 Canada imported 1.7 billion pounds of raw sugar, valued at \$56.9 million and with an average value of 3.4¢ a pound; in 1963, as a result of world shortages of raw sugar, prices rose spectacularly and Canadian imports in that year, of 1.6 billion pounds, were valued at \$126.7 million, more than twice as much as in 1962 and had an average value of 7.7 cents a pound.

Since 1968, Canada has been the fourth largest net importer of sugar in the world and, in 1969, accounted for 6.3 per cent of the total world net imports. Canada ranks after the U.S.A., Japan and the United Kingdom as a net importer of raw sugar; the U.S.S.R. imports more raw sugar than Canada in most years, but also exports very large quantities of sugar, thus reducing its net imports very considerably.

Table 32: Net Imports of Sugar, Selected Importing Countries, 1965-69

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
		-	thousand tons	-	
U.S.A.	4,025	4,491	4,801	5,129	4,885
U.K.	2,122	2,172	2,116	2,106	2,234
Japan	1,617	1,733	1,837	2,045	2,286
U.S.S.R.	1,722	750	1,413	325	(a)
Canada	947	873	1,011	974	1,081
Switzerland	289	258	282	301	209
Finland	153	191	194	183	216
Norway	197	194	191	215	182
Sweden	73	138	139	146	82
sub-total above	11,145	10,800	11,984	11,424	11,175
World Total(b)	16,797	16,376	18,219	17,608	17,125
% Canada of			per cent		
World Total	5.6	5.3	5.5	5.5	6.3

(a) Net export

(b) World net imports less world total internal movements

Source: International Sugar Organization, Sugar Year Book, 1969

Canada's importance as an importer of free market sugar is greatly understated in the preceding table. As noted in other parts of this report, a large proportion of the world's trade in sugar is subject to the provisions of various international agreements and other arrangements such as the Commonwealth Sugar Agreement, the U.S. Sugar Act, the Common Agricultural Policy of the E.E.C. countries and the arrangements by which the U.S.S.R. purchases Cuban sugar; in 1969, combined exports committed under the U.S. Sugar Act quotas and under the Commonwealth Sugar Agreement's Negotiated Price Quotas, alone, accounted for 40 per cent of the world's net exports in that year. Thus, if account is taken of the commitments under international arrangements respecting sugar, Canada is the world's second largest importer of free market sugar, after Japan, and accounts for a substantial proportion of free market sales.

Exports under the special arrangements, cited above, are not chargeable against the Basic Export Quotas under the International Sugar Agreement, which, in 1970, totalled 5.7 million metric tons. Therefore, the 5.7 million metric tons constituted the free market export quotas permitted member countries under the Agreement. If average free market exports by countries which are neither signatories of the International Sugar Agreement nor involved in special arrangements with other importing countries were added to this total, it would not change appreciably. Thus, it would appear that about six million metric tons out of the total world net exports of sugar, of 17 to 18 million metric tons annually, are the exports of free market sugar. Because only one-third of world exports are of free market sugar, the free market is a residual market.

Almost all special arrangements provide for commitments on the part of the exporters to supply sugar to their importing partners except in unusual circumstances, and for the importers to purchase specified amounts each year at prices which are substantially higher than free world market prices in most years. As a result, changes in total world supplies have a relatively small effect on supplies purchased under special arrangements and an even smaller effect on the prices, but variations in world supplies have an exaggerated effect on the free market totals and, consequently, on free market prices. Therefore, free market supplies and prices fluctuate very much more than supplies and prices in the special arrangement markets.

Origin of Imports

More than 90 per cent of Canadian imports of raw sugar originates in countries entitled to British Preferential rates of duty; the remaining seven to nine per cent is imported mainly from M.F.N. suppliers in the Caribbean area. A large part of the M.F.N. raw sugar is imported in order to accommodate industrial users who expect to claim drawback of the duty on sugar when sugar-containing products are exported.

In the immediate post-war period, 1945-49, only 60 per cent of Canada's imports of raw sugar originated in B.P. countries and, in 1948, sugar from preferential sources fell to as little as 40 per cent of the total. However, Commonwealth suppliers quickly recovered their pre-war position in the Canadian market and, in the five-year period, 1950-54, accounted for 85 per cent of raw sugar imports. In each of the past six years imports from B.P. countries have been 89 per cent or more of total imports.

Table 33: Average Annual Imports of Raw Sugar from B.P. and M.F.N. Suppliers, 1945-70

<u>Period or Year</u>	<u>Origin of Imports</u>		<u>Total Imports</u>	<u>% B.P. of Total</u>
	<u>B.P.</u>	<u>M.F.N.</u>		
	-	thousand tons	-	
1945-49	316	207	523	60.4
1950-54	510	90	601	85.0
1955-59	592	120	712	83.1
1960-64	715	56	770	92.8
1965-69	864	84	948	91.1
1965	821	95	916	89.6
1966	760	91	851	89.3
1967	892	89	981	90.9
1968	890	58	948	93.9
1969	957	86	1,043	91.7
1970	943	103	1,046	90.2

Source: Derived from DBS, Cat. No. 65-007

Imports from M.F.N. Countries

Imports of raw sugar from M.F.N. countries reached a peak immediately after World War II and then declined to a more normal level in the 1950's, when they averaged about 105,000 tons annually. Cuba was the principal M.F.N. supplier in the immediate post-war years with almost 55 per cent of total M.F.N. imports and the Dominican Republic supplied almost all of the remainder. In recent years, Cuba has been by far the largest M.F.N. supplier, accounting for 84 per cent of M.F.N. imports; the Dominican Republic and Mexico have accounted for three and four per cent, respectively, of total supplies of M.F.N. raw sugar. Apart from occasional years when special market situations arise, Canadian imports of raw sugar from M.F.N. countries currently average about 85,000 to 90,000 tons per year.

Imports from British Preferential Countries

As noted, imports of raw sugar from British Preferential countries account for 90 per cent or more of Canada's total imports of raw sugar. In the five-year period, 1965-69, these imports averaged about 864,000 tons annually and varied from a low of 760,000 tons in 1966 to a high of 957,000 tons in 1969. As shown by the five-year averages given in the preceding table, average imports from B.P. suppliers have increased in each period. However, although total B.P. imports have increased regularly, the distribution of these imports by country of origin has changed very greatly in the past 25 years, especially in the past decade.

In the period, 1945-49, the Commonwealth Caribbean countries provided three quarters of the British Preferential imports of raw sugar; Fiji, the only other regular B.P. supplier, in this period, supplied 15 per cent of the total; the remaining 10 per cent was from Australia (eight per cent) and Mauritius (two per cent). However, although the average volume of imports from the Commonwealth Caribbean remained very stable at about 300,000 tons per year in the 15-year period, 1950-64, there was a steady decline in the share of the Canadian market supplied by these countries; by the five-year period, 1960-64, they supplied only 42 per cent of Canadian imports of B.P. sugar. In the most recent five-year period, 1965-69, the volume of Commonwealth Caribbean exports to Canada declined to an average of 215,000 tons of raw sugar per year, only 25 per cent of total B.P. imports and, in 1969, amounted to only 111,000 tons, approximately 12 per cent of the total; imports in 1970 fell to a post-war low of 53,000 tons, about six per cent of the B.P. total.

Until 1959, the continually expanding Canadian market for raw sugar was supplied by increased imports mainly from Australia and Mauritius; since 1960, imports from the Republic of South Africa have become a major part of Canadian supplies of B.P. raw sugar. Imports from Fiji have also increased in recent years and, in some years, imports from India have been a significant part of Canadian supplies.

Table 34: Imports of British Preferential Raw Sugar,
by Origin, Five-Year Averages, 1945-69

Origin of Imports	<u>1945-49</u>	<u>1950-54</u>	<u>1955-59</u>	<u>1960-64</u>	<u>1965-69</u>
	-	thousand tons,	average per year	-	
Caribbean ^(a)	237.6	311.7	300.2	300.2	215.2
Australia	24.3	80.9	135.6	165.6	167.6
Fiji	48.5	61.3	59.5	57.7	71.7
Mauritius	5.3	55.1	93.8	77.1	123.6
India	-	-	-	44.7	38.7
S. Africa ^(b)	-	1.3	2.9	60.3	237.2
Total ^(c)	315.7	510.3	592.0	714.6	863.6
	-	per cent of total B.P. imports	-		
Caribbean ^(a)	75.2	61.1	50.7	42.0	24.9
Australia	7.7	15.8	22.9	23.2	19.4
Fiji	15.4	12.0	10.0	8.1	8.3
Mauritius	1.7	10.8	15.9	10.8	14.3
India	-	-	-	6.3	4.5
S. Africa ^(b)	-	0.3	0.5	8.4	27.5

(a) Commonwealth Caribbean; includes Bahamas, Barbados, Guyana, Jamaica, British Honduras, Leeward & Windward Islands, Trinidad & Tobago

(b) Includes Swaziland and Uganda but originates mainly in the Republic of South Africa

(c) For the years 1963-66 includes imports from Rhodesia

Source: Derived from DBS, Cat. No. 65-007

An examination of the preceding table indicates the changes in the origin of Canadian imports of raw sugar from B.P. suppliers over the past 25 years. To a degree, the 1965-69 averages obscure the growing importance of supplies from the Republic of South Africa and Australia and the rapidly declining relative importance of Commonwealth Caribbean supplies. Production in the latter group of countries has not increased in the past decade and some recent crops have been of less than average size, largely as a result of unfavourable growing conditions; this partly explains the decline in their exports to Canada. In addition, annual exports by B.P. Caribbean countries are limited to 245,000 tons under the Basic Export Quotas of the International Sugar Agreement and this would be the maximum quantity which they could ordinarily export to Canada. However, it is clear from the table that, even if Commonwealth Caribbean exports to Canada regained their former level of about 300,000 tons annually, an extremely unlikely eventuality, these supplies would account for only one-third of Canada's current requirements of British Preferential raw sugar and the remaining two-thirds would have to be obtained mainly from Africa and Australia. The following table shows the recently developing situation more clearly.

Table 35: Imports of British Preferential Raw Sugar,
by Origin, 1965-70

	<u>Caribbean</u>	<u>Australia</u>	<u>Fiji</u>	<u>Mauritius</u>	<u>India</u>	<u>Africa</u> ^(a)
		-	thousand tons	-		
1965	274.8	147.5	81.7	104.5	58.2	121.8
1966	283.6	116.2	46.5	95.1	56.2	145.7
1967	214.5	173.2	84.5	54.9	66.1	298.3
1968	192.4	159.6	62.4	139.5	13.0	322.6
1969	110.7	241.3	83.2	223.9	-	286.0
1970	52.9	297.1	68.9	180.6	64.9	278.9
		-	per cent of total B.P. imports	-		
1965	33.5	18.0	10.0	12.7	7.1	14.8
1966	37.3	15.3	6.1	12.5	7.4	19.2
1967	24.1	19.4	9.5	6.2	7.4	33.5
1968	21.6	17.9	7.0	15.7	1.5	36.3
1969	11.6	25.2	8.7	23.4	-	29.9
1970	5.6	31.5	7.3	19.2	6.9	29.6

(a) Includes Swaziland and Uganda but is mainly from Republic of South Africa

Source: DBS, Cat. No. 65-007

As the table indicates, imports from African countries, mainly the Republic of South Africa, currently account for at least 30 per cent of the total Canadian imports under the B.P. Tariff; combined imports from Australia and Fiji account for somewhat more than one-third of the total. More than one-half of the remaining one-third of the total originates in Mauritius, and the balance in the Commonwealth Caribbean and India.

Exports to Canada by the Commonwealth Caribbean countries were unusually low in both 1969 and 1970, but it is unlikely that their exports to Canada will again regularly exceed 200,000 tons per year in the future, unless production in these countries expands very substantially or unless their status under the Commonwealth Sugar Agreement or the U.S. Sugar Act changes very significantly and makes sales to Canada more attractive, on a continuing basis, than sales of N.P.Q. sugar to Britain or sales of U.S. Sugar Act quota sugar to the U.S.A.

Table 36: Exports by Commonwealth Caribbean Countries^(a)
Under Negotiated Price Quotas and U.S. Sugar
Act Quotas and Exports to Canada, 1960-69

			N.P.Q. Exports to U.K.	U.S. Quota	Quota Exports to U.S.A.	Available for Can. ^(b)
<u>Production</u>	<u>N.P.Q.</u>		-	thousand tons	-	
1960	1,370	779	771	93	93	359
1961	1,429	775	775	266	266	236
1962	1,360	771	771	182	182	252
1963	1,473	774	774	143	143	349
1964	1,366	811	811	148	148	259
1965	1,501	835	835	153	153	326
1966	1,421	835	835	190	190	201
1967	1,501	835	835	197	197	203
1968	1,454	835	835	234	234	196
1969	1,401	835	835	254	251	72

(a) Includes West Indies, Bahamas, Guyana, and British Honduras

(b) Total exports less quota exports to U.K. and U.S.A.

Source: Derived from U.S.D.A. Statistical Bulletin No. 293; Annual Reports of the U.K. Sugar Board; I.S.O. Yearbooks

Before Cuban sugar was prohibited from entering the U.S.A., in mid-1960, exports of raw sugar from Commonwealth Caribbean countries to the U.S.A. were very small and, except for a quota of 93,000 tons under the U.S. Sugar Act, sales by these countries to the U.S.A. were at world prices. Beginning in 1960, these countries were allotted substantial quotas under the Sugar Act which, by 1969, amounted to 254,000 tons; as the preceding table shows, the quotas are invariably filled. In part this is because the returns from sales of quota sugar are usually higher than from sales at world market prices and, in part, because of the penalties for failing to meet quota obligations even when world prices exceed quota prices. The relatively high returns from sales of sugar to Britain under the Negotiated Price Quotas (N.P.Q.'s), also provide a strong attraction for Commonwealth Caribbean sugar; since 1960 N.P.Q.'s have been increased by 56,000 tons and now total 835,000 tons. As is clear from the table above, shortfalls in meeting N.P. Quotas hardly ever occur.

Thus, since 1960, the Commonwealth Caribbean countries have increased their export commitments to the U.S.A. by 161,365 tons and to Britain by 56,000 tons. However, although they now have an assured market, at premium prices, for some 217,000 more tons of raw sugar than at the beginning of the decade, their production of sugar has not increased. Because raw sugar exported to Canada frequently brings a lower return than is available from sales of either N.P.Q. or U.S. quota sugar, it is inevitable that exports to the U.K. and the U.S.A. should receive priority over exports to Canada; that this has, in fact, been the case is obvious from the preceding table.

In 1969, the N.P.Q.'s of these Caribbean countries amounted to 835,000 tons and final adjusted quotas under the U.S. Sugar Act, to 254,000 tons, for a total of 1,089,000 tons. Consumption of sugar in the B.P. Caribbean countries has been increasing since 1960 and, in 1969, reached 236,000 tons. If provision is made for maintenance of the inventories required under the International Sugar Agreement and for some further increases in domestic consumption and quotas, an annual production of 1,350,000 seems to be about the minimum required before any sugar would be available for export to Canada. An annual production of 1,500,000 tons would provide for annual exports to Canada of only around 150,000 tons of sugar, 14 per cent of Canada's current imports; in the past decade such an output has been achieved only once, in 1965. Thus, it seems a reasonable conclusion that the Commonwealth Caribbean countries are unlikely to supply more than 10 to 15 per cent of Canada's annual requirements of raw sugar in the near future; even this may be an optimistic estimate in the light of continually increasing Canadian requirements, unless their production increases substantially, or allotments under the N.P.Q.'s or U.S. Sugar Act quotas are reduced.

In view of the foregoing, it is appropriate to examine the position of the other B.P. suppliers of the Canadian market, as potential suppliers in the future. It is a basic assumption of the analysis which follows that sales of sugar under the N.P.Q.'s of the Commonwealth Sugar Agreement and of quota sugar under the U.S. Sugar Act will result in a higher return to exporters than sales of sugar to Canada at world market prices; it is also a basic part of the analysis that, apart from the sales under these special arrangements, exports to Canada will result in generally higher returns to B.P. suppliers than will sales to others. The latter assumption will be examined more closely, later in this section.

Given the preceding assumptions, it follows that the amount of British Preferential raw sugar on which Canada can draw for supplies can be derived by subtracting the amounts exported under N.P.Q.'s and U.S. quotas, from the total exports of Canada's usual B.P. suppliers. The results of such calculations are shown in table 37.

As the table indicates, in some years exports to Canada account for as much as 42 to 54 per cent of the total available supply of free market B.P. sugar; even in years like 1967, when free market supplies of B.P. sugar were unusually large, Canadian purchases accounted for 28 per cent of the total. The table also shows that only Australia and South Africa have sufficiently large amounts of free market sugar to supply Canada's future requirements. Exports to Canada already account for a large proportion of the free market sugar available from Fiji, Mauritius and the Commonwealth Caribbean; India's free market supplies are sometimes large, but are subject to very great fluctuations from year to year.

Thus, assuming no change in existing special arrangements or tariffs, it seems probable that Canadian supplies of British Preferential raw sugar will originate, increasingly, in Australia and South Africa. These two areas supplied about 55 per cent of Canadian imports of B.P. sugar, in 1970.

Table 37: Available Supplies of B.P. Free Market Raw Sugar and Exports to Canada, Selected Years, 1960-69

	<u>1960</u>	<u>1963</u>	<u>1965</u> thousand tons	<u>1967</u>	<u>1969</u>
<u>Free Market Exports(a)</u>					
Comm. Carib.(b)	359	349	326	203	72
Australia	514	698	689	1,472	1,122
Fiji	101	99	131	172	172
Mauritius	14	179	196	143	209
Africa(c)	182	658	534	981	809
India	<u>20</u>	<u>409</u>	<u>162</u>	<u>135</u>	<u>7</u>
Total B.P.	1,191	2,391	2,040	3,106	2,391
<u>Exports to Canada</u>					
			thousand tons		
Comm. Carib.(b)	325	261	330	210	99
Australia	195	136	134	185	188
Fiji	76	66	82	72	86
Mauritius	28	64	107	40	197
Africa(c)	23	133	147	284	284
India	<u>-</u>	<u>92</u>	<u>58</u>	<u>79</u>	<u>-</u>
Total	646	751	857	871	855
<u>Exports to Canada as % of Each Source's Free Market Exports</u>					
			per cent		
Comm. Carib.(b)	90.4	74.9	100.0	100.0	100.0
Australia	37.9	19.4	19.4	12.6	16.8
Fiji	74.6	66.3	62.3	41.6	49.8
Mauritius	100.0	35.5	54.6	28.4	94.3
Africa(c)	12.7	20.3	27.4	28.9	35.1
India	<u>-</u>	<u>22.4</u>	<u>35.8</u>	<u>58.8</u>	<u>-</u>
	54.3	31.4	42.0	28.0	35.7

(a) Total exports less sum of exports to Britain under Negotiated Prices and to the U.S.A. under quotas allotted under the U.S. Sugar Act

(b) Includes West Indies, Guyana, British Honduras and Bahamas

(c) Mainly Republic of South Africa but includes Swaziland and very small amounts from other African B.P. countries

Note: Exports to Canada sometimes exceed total free market exports, mainly because of lag between purchases by U.K. Sugar Board and actual shipments

Source: Derived from I.S.O., various publications; Annual Reports of the U.K. Sugar Board; U.S.D.A. Statistical Bulletin 293

Attraction of the Canadian Market

In preceding sections of the report it has been stated that, apart from the returns available to exporters of British Preferential raw sugar from sales under such special arrangements as the Negotiated Price Quotas of the Commonwealth Sugar Agreement and quotas allotted under the provisions of the U.S. Sugar Act, sales to Canada provide the highest return to B.P. exporters. This arises mainly from the "share of the preference" available to B.P. suppliers from sales to Canada, at present 75¢ per 100 pounds. In this section returns to B.P. producers from sales to a few selected destinations will be examined in some detail.

The International Sugar Agreement defines "free market" sugar as the total net imports of the world market, exclusive of sugar covered by the special arrangements of the N.P.Q.'s, imports from Cuba by socialist countries, imports under the African and Malagasy Sugar Agreement, imports by the U.S.A. under the U.S. Sugar Act, imports from the U.S.S.R. by socialist countries and imports by other east African countries from Uganda. In more general terms, free market sugar is that which is traded outside of the special arrangements which usually involve guaranteed access under quotas at certain specified prices which are frequently higher than world free market prices. The International Sugar Organization's second estimate of world net imports of free market sugar, in 1970, was a total of approximately 9.5 million tons. Canada's imports are entirely of free market sugar and, in 1970, amounted to 1,046,000 tons, 11 per cent of the world total; Japan's imports of free market sugar are currently nearly treble those of Canada and would have accounted for an additional 30 per cent of free market exports.

Many countries purchase large quantities of sugar under special arrangements; many others purchase free market sugar. Some comparisons can be made of the unit cost of raw sugar imported by countries which purchase under special arrangements and those which purchase in the free market, by calculating the average value of imports from the published statistics. However, comparisons with Canada and the U.S.A. are difficult because most countries report the value of imports c.i.f. country of destination while Canada and the U.S.A. report import values f.o.b. country of origin; moreover, such average values understate the prices paid under special arrangements. In order to avoid these problems, some of the unit values of imports given in the following table are calculated by making appropriate adjustments to the relevant data.

It is generally accepted that the prices of imports under the quotas of the U.S. Sugar Act are amongst the highest in the world and this is evident from the following table. Unit values of imports into Britain and the U.S.S.R. are also generally at higher than world prices. In contrast, imports by Sweden are at relatively very low unit values, sometimes at less than one-third the unit value of quota imports into the U.S.A.

Table 38: Raw Sugar: Unit Value of Imports, and Prices, c.i.f. Selected Countries, 1963-69

	<u>1963</u>	<u>1965</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	dollars per 100 pounds				
Imports Under Special Arrangements					
U.S.A.(a)	8.39	6.78	7.38	7.64	7.89
Britain:					
N.P.Q.(b)	6.38	7.12	6.93	6.10	6.08
Other B.P.(c)	10.45	3.48	3.14	3.02	4.43
U.S.S.R.(d)	6.67	4.47	4.65	4.64	..
Free Market Imports					
Canada(e)	10.53	3.54	3.36	3.21	4.63
Japan(d)	7.60	4.33	3.26	3.47	4.32
Sweden(d)	7.10	2.82	2.30	2.51	2.43

(a) Quota sugar, c.i.f. New York, excluding duty, converted to 98°

(b) Prices paid to B.P. Caribbean countries, c.i.f. London converted to 98°

(c) Preferential margin of 3s/8.8d per 112 pounds added before conversion to 98°

(d) Unit value of imports, c.i.f. destination; includes imports under special arrangements by U.S.S.R.

(e) LDP c.i.f. Montreal, plus 75¢ preferential premium, converted to 98°

Source: Derived from World Trade Annual, U.N. Statistical Office; O.E.C.D. Statistics; U.N. Yearbook of International Trade Statistics, I.S.O. Yearbooks

The unit value of imports by Canada and Japan, the two largest purchasers of free market sugar in the world, fall between the two extremes. Neither pays the generally, relatively high prices paid by the U.S.A. and Britain for sugar imported under quotas, nor, on the other hand, do they pay the very low prices, such as are paid by Sweden and others for free market sugar whose value is not artificially enhanced by tariff preferences or measures designed to protect domestic beet sugar industries. It is noteworthy that in years when world supplies are short, free market prices are higher than prices under special arrangements. For example, the Negotiated Price of £47.50 in effect in January 1971, to the less developed countries, was equivalent to a c.i.f. Montreal price of \$5.46 for 96° sugar imported from Commonwealth Caribbean countries; the calculated cost of 96°, B.P. Caribbean sugar, c.i.f. Montreal, in mid-January, was \$5.89, 43 cents higher, per 100 pounds.

About 90 per cent of Canadian imports of raw cane sugar are of B.P. origin and, to most of Canada's usual B.P. suppliers, the major alternative markets for free market raws are Britain and Japan. Exports of free market sugar by these major B.P. suppliers to Britain, Canada and Japan are shown below.

Table 39: Distribution of Exports of Free Market Sugar to Britain, Canada and Japan, by Major B.P. Exporters, 1967 and 1969

	Free Exports To:				% of Free Exports To:		
	Britain	Canada	Japan	Others	Britain	Canada	Japan
	'000 tons				per cent		
<u>1967</u>							
Comm. Carib.	-	210.4	-	-	-	100.0	-
Australia	183.4	185.2	748.5	354.7	12.5	12.6	50.9
Fiji	9.1	71.6	48.5	43.1	5.3	41.6	28.1
Mauritius	101.8	40.5	-	.4	71.4	28.4	-
S. Africa (a)	139.4	283.7	408.9	149.4	14.2	28.9	41.7
India	58.4	79.3	-	-	42.4	57.6	-
Total	492.1	870.7	1,205.8	537.9	15.8	28.0	38.8
<u>1969</u>							
Comm. Carib.	-	99.4	-	-	-	100.0	-
Australia	24.0	188.4	481.8	427.6	2.1	16.8	43.0
Fiji	9.4	85.9	19.1	58.1	5.5	49.8	11.1
Mauritius	-	197.3	-	12.0	-	94.3	-
S. Africa (a)	14.3	283.6	385.3	125.6	1.8	35.1	47.6
India	1.6	-	-	5.4	22.6	-	-
Total	49.2	854.6	886.3	600.8	2.1	35.7	37.1

(a) Includes Swaziland and Uganda

Source: Derived from I.S.O. Yearbook, U.S.D.A. Statistical Bulletin No. 293, Annual Reports of the U.K. Sugar Board

As the table shows, only Australia exports substantial quantities of free market sugar to countries other than Britain, Canada and Japan. The table also shows that the quantities that exporters ship to different destinations vary greatly from year to year. It is probable that these changes in the destinations of so-called, free market exports are largely the result of changes in returns to suppliers.

The principal determinants of the returns to B.P. suppliers of the British, Japanese and Canadian markets are the relative costs of ocean freight and the additional return or premium above the LDP, arising from the margins of preference in the Canadian and British rates of duty on sugar, and the higher freight cost paid by Japan because of its distance from the Caribbean, the "basing point" for world prices. Ocean freight rates vary continually and give rise to different situations from time to time; the margins of preference are specific in both the British and Canadian Customs Tariffs, but their relative value also changes as a result of fluctuations in exchange rates. In Britain, the premium received has always been equivalent to the total preferential margin, but the value of the Canadian preferential premium received by B.P. suppliers has been substantially larger from sales to Canada than from free market sales to Britain, for many years. In the past decade the preferential premium received from sales to Britain was highest in 1963, when it was equivalent to approximately 50¢ per 100 pounds of 96° sugar; currently it is worth approximately 41¢, or 34¢ a 100 pounds less than the 75¢ available from sales to Canada.

There is no preferential margin in the Japanese Customs Tariff, but, because freight costs to Japan are much higher than to London, Japanese buyers pay an amount above the LDP to compensate for this difference, in the same way as Canadian buyers are allowed a discount, to take account of the lower cost of freight from the Caribbean to eastern Canadian ports than to London. In 1969, sales to Japan were generally at a price of 30s per long ton over the LDP and in 1970, when freight rates rose very sharply, the price differential amounted to 60s per long ton.

The following table shows the calculated, apparent returns to exporters, f.o.b.s. country of origin, from raw sugar sold by major B.P. suppliers to Canada, Britain and Japan. The table is based on freight rates in effect in October 1969 and 1970; the rates in 1970 were generally much higher than in 1969, as also was the London Daily Price of raw sugar. The returns were calculated by establishing the price c.i.f. destination from the LDP, subtracting the cost of freight from this c.i.f. price and adding the margin of preference or the premium. This is a common method of showing such relationships; it assumes the Caribbean is the basing point for world prices, and freight equalization on the part of all suppliers. It is implicit in the calculations that importers will not act on their knowledge that their purchases result in the highest f.o.b.s. returns to certain suppliers; this assumption is not acceptable unless it is also assumed that alternative sources of supply are not available.

Table 40: Calculated, Apparent Returns to B.P. Suppliers from Sales of 96° Free Market Sugar to Canada, Britain and Japan, 1969 and 1970

Origin of Sugar	October 9, 1969			October 8, 1970		
	Canada ^(a)	Britain	Japan	Canada ^(a)	Britain	Japan
	return f.o.b.s. origin, \$ per 100 lbs. 96° sugar					
Australia	3.40	3.21	3.16	4.27	4.17	4.42
Mauritius	3.46	3.31	3.03	4.54	4.44	4.33
Rep. S. Africa	3.49	2.93	3.07	4.60	4.16	4.35
Comm. Carib.	3.62	3.30	-	4.75	4.41	-
India	3.41	3.27	-	4.30	4.33	-

Canadian Attraction:

	1969, Relative To:		1970, Relative To:	
	Britain	Japan	Britain	Japan
	\$ per 100 lbs.		\$ per 100 lbs.	
Australia	+ .19	+ .24	+ .10	- .15
Mauritius	+ .15	+ .43	+ .10	+ .21
Rep. S. Africa	+ .56	+ .42	+ .44	+ .25
Comm. Carib.	+ .32	-	+ .34	-
India	+ .14	-	- .03	-

(a) Based on c.i.f. Montreal

Source: Derived from freight rates supplied to C. & D. by brokers

Except for Australia, B.P. suppliers would receive higher apparent returns from sales to Montreal refiners than from sales either to Britain or Japan; the highest returns to Australia would be from sales either to Canada or Japan. Commonwealth Caribbean countries do not export sugar to Japan; invariably, they receive the highest returns for free market sugar from sales to Canada. This arises from the preferential premium on sales to Canada. South African suppliers receive substantially higher returns from sales to Canada relative to returns from sales to other destinations.

A preferential premium is paid on South African sugar imported into Canada but not when imported into Britain. British imports of sugar from South Africa have been outside the terms of the Commonwealth Sugar Agreement since the latter ceased to be a member of the Commonwealth, although they are subject to B.P. rates of duty. However, the preferential premium on free market B.P. sugar is paid, by Britain, as an additional element added to the Negotiated Price and, therefore, cannot be paid to South Africa because it no longer has a Negotiated Price Quota. The cost of ocean freight from South Africa to Britain is only a little less than to Canada and has little effect in offsetting the Canadian preferential premium.

The preferential premium paid by Canadian refiners also makes Canada a more attractive market than Japan, for South African sugar. Freight rates from Durban to Montreal and to Japan are usually not very different and, at times, favour Canada.

In the preceding discussion, Montreal was used as the basis for comparisons involving Canada; two major and one smaller cane refineries are located there and the costs of transportation to two other major refineries, at Saint John, New Brunswick and Toronto, are directly related to those to Montreal. From Pacific Ocean suppliers, the freight rates to the other major refinery, at Vancouver, are sufficiently different from the rates to eastern ports that they affect returns f.o.b.s. origin very substantially. In addition, although rates to Saint John are related to those to Montreal, the differences are sometimes enough to make Saint John an attractive destination when comparisons based on deliveries to Montreal make Canada a marginally unattractive market relative to other countries.

The following table shows the approximate costs of ocean freight from the major suppliers to the principal destinations of raw sugar in Canada, in January, 1971; at that time the nominal freight rate from the Caribbean to Britain was 90s per long ton and the corresponding rate to Montreal was 63s per long ton.

The table indicates that, when the comparisons with other countries are based on deliveries to Montreal, Canada may appear less attractive than other countries as a market for sugar from Australia and Fiji, but that the relationships are changed significantly when Vancouver is taken as the Canadian port of destination. Thus, one would expect that B.C. Sugar would rely more on Australian and Fijian supplies than eastern refiners; shipping statistics indicate that the Vancouver refinery is the major, if not the only, Canadian purchaser of Fijian raw sugar.

Table 41: Ocean Freight Rates from Selected Major Suppliers of Raw Cane Sugar to Principal Canadian Ports, January 1971

Origin of Sugar	Destination of Sugar				Difference vs. Montreal		
	Saint John	Mtrl.	Tor.	Vanc.	Saint John ^(b)	Tor. ^(b)	Vanc.
	\$ per 100 lbs.				\$ per 100 lbs.		
Australia	.79	.81	.90	.54	-.02	+.09	-.27
Fiji	.81	.84	.92	.57	-.03	+.08	-.27
Mauritius	.57	.62	.73	.87	-.05	+.11	+.25
India	.62	.68	.79	.87	-.06	+.11	+.19
Rep. S. Africa	.52	.57	.68	.82	-.05	+.11	+.25
Comm. Carib. ^(a)	.30	.34	.44	-	-.04	+.10	-

(a) Based on Caribbean to Britain freight rates

(b) Based on average differences in rates, on deliveries to Montreal and Saint John

Source: Ocean freight rates supplied by brokers

The table also shows the average advantage of Atlantic Sugar over Montreal refiners in purchasing raw cane sugar. For example, a price c.i.f. Saint John could be four to six cents less per 100 pounds than at Montreal and yield the same return, f.o.b.s. origin, to Mauritius, South Africa and the West Indies. As in other comparisons, it is clear that freight rates from the Caribbean to eastern Canada make this area the preferred source of supply to five of Canada's six cane refineries and also make Canada the preferred destination for sales of free market sugar available in this region.

The B.P. Margin on Raw Sugar

The importance of the preferential margin in the existing Canadian rates of duty on sugar for refining, is evident from the preceding sections. Its most important consequence is that about 90 per cent of Canadian purchases of raw sugar are from B.P. suppliers. Were it not for certain special features in respect of drawback of duty, discussed later, almost all of Canada's imports of raw sugar would probably originate in B.P. countries.

The margin of preference increases with the polarization of the imported sugar, but the basic margin used in pricing is that which applies to sugar not exceeding 96° in polarization. The most relevant rates of duty on sugar for refining (under item 13500-1) are summarized below, together with the margin of preference.

	<u>B.P.</u>	<u>M.F.N. & General</u> \$ per 100 lbs.	<u>Preferential Margin</u>
<u>Sugar for Refining</u>			
Over 95° but not over 96°	.287	1.287	1.000
Over 96° but not over 97°	.297	1.323	1.026
Over 97° but not over 98°	.307	1.358	1.051
Over 98° but not over 99°	.316	1.476	1.160
Over 99°	.356	1.476	1.120

The margin is substantial and permits B.P. suppliers to increase the price of their exports c.i.f. Canadian destinations, up to a point which is substantially higher than the London Daily Price but still leaves the price of their sugar attractive relative to that of M.F.N. sugar; a difference of about 25¢ per 100 pounds between the cost of B.P. and M.F.N. sugar, c.i.f. Montreal, is currently sufficient to attract Canadian purchasers. Thus, in pricing sugar for export to Canada, B.P. suppliers generally add 75¢ per 100 pounds to the basic c.i.f. price at Montreal; incremental payments of 1.4 per cent per degree of polarization in excess of 96° are calculated on the basic price inclusive of the preferential premium paid to the seller. The preferential premium is subject to negotiation between buyer and seller, but is regarded as virtually a fixed amount at any given time and seldom changes. The Board was informed that the preferential premium paid to sellers had been 85¢ up to about 1959 and was \$1.00 per 100 pounds of 96° sugar before the second world war.

So long as B.P. suppliers receive less than the full margin of one dollar, they remain a preferred source of supply to Canadian refiners. Similarly, the existence of the premium makes Canada a more attractive market to these suppliers because they receive a higher return f.o.b.s. origin from sales to Canada, than from sales of free market sugar to alternative markets; this is clear from table 40. However, it would be incorrect to assume that the elimination of the preferential margin in the Tariff would reduce current Canadian costs by the full 75¢ preferential premium said to be paid to B.P. sellers, at the present time. The probable consequences of a tariff without preferences, that is, one whose B.P. and M.F.N. rates are identical, is examined below.

Historically, as currently, the Caribbean area has been used as a "basing point" for the international pricing of sugar. This stems from the importance of this region as a source of supplies for international trade in sugar and, most particularly, from the importance of Cuba as a world supplier. Cuba continues to be by far the largest exporter of sugar in the world and accounts for about 30 per cent of the world's net exports; the Caribbean area, as a whole, accounts for nearly 50 per cent of the world's net exports. The importance of the Caribbean as a "basing point" for international prices is recognized in various provisions of the current and former International Sugar Agreements. The committee which determines the London Daily Price also recognizes its importance by including, in its daily reports, the freight rate from the Caribbean to Britain which the committee takes into account in setting the price, c.i.f. London. New York price quotations are on a basis of both c.i.f. New York and f.o.b.s. Caribbean. Thus, whether or not a price is quoted f.o.b.s.

Caribbean, an exporter in that area always knows the approximate return at his place of origin and, in ordinary circumstances, is unlikely to sell sugar unless he receives a return which is comparable to that of the LDP less the cost of freight from place of origin to London, or to the f.o.b.s. price quoted in New York.

Similarly, exporters in other parts of the world are also aware of their approximate return at point of origin, based on the LDP or the New York quotations and, of course, of the return to exporters f.o.b.s. Caribbean. Thus, any supplier can readily determine the return he would receive from sales to various destinations, in competition with sugar from any origin. As a result, if the cost of freight from the Caribbean to Japan is greater than the cost from the Caribbean to Britain, Caribbean suppliers are likely to demand an amount in excess of the LDP to compensate for the additional cost of freight and the resulting lower return at the place of origin from sales to Japan. In fact, the amount in excess of the LDP, which Japan pays for raw sugar, reflects this average difference and changes when the relevant freight rates change in relation to each other. In 1969, Japan paid an average of 17¢ per 100 pounds over the LDP and, in 1970, when the ocean freight rates were much higher, the premium roughly doubled and was 33¢ per 100 pounds.

In the preceding table the attractiveness of the Canadian market to certain suppliers was measured by determining whether they would receive a higher or lower return from sales to Canada relative to other countries, using the Caribbean as the basing-point and assuming "freight equalization" on the part of other suppliers. In the following table a different approach is used: this table shows the relative attractiveness (or lack of attractiveness) of Canada, Britain and Japan, if suppliers were to receive the same return, f.o.b.s. country of origin, from sales to Canada and Japan, as to Britain, the return from sales to Britain being derived from the LDP.

Two factors enter into the calculations: relative costs of freight from each country of origin to Britain, Canada and Japan; and the amounts in excess of the LDP, paid by Britain because of the preferential margin in her rates of duty on raw sugar to B.P. suppliers other than South Africa and by Japan because of its distance from the Caribbean, the basing point for world prices. For these calculations it has been assumed that the Canadian B.P. and M.F.N. rates of duties on raw sugar are identical, that is, that the Canadian rates are neutral and, therefore, that purchases by Canada do not involve any preferential premium on purchases from B.P. suppliers. Cuba has been included in the table but, because of the difficulty of acquiring reliable Cuba-to-Japan freight rates, these have been estimated to be the sum of the Caribbean-to-Britain rate and the amount in excess of the LDP paid by Japan; for purposes of illustration this appeared to be a reasonable estimate.

Table 42: Attraction of Canada Relative to Britain and Japan to Exporters of Free Market Sugar, Assuming Equal Returns f.o.b.s. Origin for Raw Sugar and No Margin of British Preference in Canadian Rates of Duty on Sugar, 1969 and 1970

	Attraction (+) of Canada Arising Out of					
Country	Freight Rates		Prem. Over LDP			
of	vs.		vs.		Total vs.	
Origin	U.K.	Japan	U.K.	Japan	U.K.	Japan
	dollars per 100 lbs., 96° raws					
<u>Oct. 9, 1969</u>						
Australia	+.01	-.20	-.43	-.17	-.42	-.37
Mauritius	-.03	-.01	-.43	-.17	-.46	-.18
Rep. S. Africa	-.05	-.02	0	-.17	-.05	-.19
Comm. Carib.	+.14	-	-.43	-	-.29	-
India	-.04	-	-.43	-	-.47	-
Cuba	+.14	+.31	0	-.17	+.14	+.14
<u>Oct. 8, 1970</u>						
Australia	-.03	-.36	-.41	-.33	-.44	-.69
Mauritius	-.03	0	-.41	-.33	-.44	-.33
Rep. S. Africa	-.10	+.04	0	-.33	-.10	-.29
Comm. Carib.	+.21	-	-.41	-	-.20	-
India	-.16	-	-.41	-	-.57	-
Cuba	+.21	+.54	0	-.33	+.21	+.21

The above calculations reflect two very different sets of circumstances: in 1969, freight rates were approximately normal and the British Pound was worth an average of \$2.58 in Canadian funds; in 1970, freight rates rose by about 50 per cent and were the highest in at least a decade, and the value of the British Pound fell from \$2.58 to \$2.44. However, regardless of which year is used for reference, the points which stand out clearly are that relative costs of ocean freight are such that Canada has a substantial total advantage over both Britain and Japan in purchases of sugar from Cuba and is at only a small total disadvantage, relative to Britain, in purchases from the Republic of South Africa. When, as in 1969, freight rates are not unusually high, Canada is also only at a small total disadvantage, relative to Japan, in purchases from Mauritius and South Africa.

That the approach used in table 42 is also used by suppliers of raw sugar to assess the relative attraction of different markets is indicated by the calculations of the spokesman for Australia, in Exhibit 10.1; except for the third column, the figures are those given in the Exhibit; column 3 is based on the submission but has been modified for greater clarity.

<u>Destination</u>	<u>Freight-cost From Australia</u>	<u>Premiums Over LDP cents per 100 lbs.</u>	<u>Net to Australia</u> (a)	<u>Canadian Attraction</u>
Eastern Can.	73.4	57.7 ^(b)	376.3	-
Britain	82.1	43.2 ^(c)	353.1	23.2
Japan	50.7	20.4 ^(c)	361.7	14.6
Singapore	46.1	23.0 ^(c)	368.9	7.4

(a) With LDP at £34.0 per long ton, as at Jan. 21, 1970 or \$3.92 per 100 lbs., 96° raws

(b) 75¢ less 17.3¢; 17.3¢ was the discount from the LDP in January 1970 to allow for the lower cost of freight from Caribbean to Canadian ports

(c) Actually freight cost Caribbean to Japan or Singapore less freight cost Caribbean to Britain

It is important to note that, to Australia, the Canadian preferential premium is always much less than its apparent value. Because of freight equalization relative to Caribbean suppliers, Australia "absorbs" freight costs on exports to eastern Canada (17.3 cents per 100 pounds in January 1970) and, in addition, incurs larger costs of freight on shipments to Canada relative to Japan (22.7 cents per 100 pounds in January 1970). Thus, a large part of the 75 cents-per-100 pound preferential premium is lost in additional costs of freight to Australian suppliers and only the remainder is a premium return over the LDP, in the sense of an additional payment to attract supplies on a continuing basis. As is evident from the Australian calculations, the Canadian preferential premium of 75 cents yielded a net premium of only 14.6 cents per 100 pounds relative to Japan; the remaining 60.4 cents represented the additional amount necessary to equalize returns from sales to Canada and to alternative markets.

An important aspect of table 42 is that the data indicate that a premium of less than 50 cents per 100 pounds would make Canada a more remunerative destination of exports of B.P. free market sugar than either Britain or Japan, in most years; in years when freight rates were unusually high, Japan would be a somewhat more attractive market than Canada for Australian sugar. However, if the destination of the sugar were Vancouver instead of Montreal, Canada would continue to be more attractive to Australian shippers; Fiji is not included in the table, but the figures for Fiji would be approximately the same as those for Australia.

The data given in the preceding tables, in the context of the discussion of the origin of Canada's supplies of B.P. sugar, indicate the importance of the Canadian market to South African suppliers even if the existing preferential premium is substantially reduced. The preceding sections also indicate that, when freight rates are generally high, to Australia, Canada has only a marginal attraction relative to Japan, even with the inclusion of the premium.

On purely economic grounds, it seems wasteful of resources that Cuba should be exporting large quantities of raw sugar to Japan while Australia is shipping large amounts to Canada. In 1969 and 1970 Cuba exported more than one million tons of sugar to Japan and about 100,000 tons or less to Canada; in 1969 and 1970, Canada's imports from Australia amounted to 241,300 tons and 297,100 tons, respectively. In late 1969, the freight rates from Cuba to Canada and Japan were \$6.44 and \$12.60 per ton, respectively and the approximate freight rates from Australia to Canada and Japan were \$10.86 and \$6.82, respectively. In 1970, when ocean freight rates rose substantially, the approximate rates from Cuba, late in the year, were \$10.00 per ton to Canada and \$20.80 per ton to Japan; the approximate corresponding rate from Australia to Canada was \$19.60 per ton and to Japan, \$12.40 per ton.

The economics of the existing situation appear to offer the greatest benefits to shipping interests. If arrangements could have been made for Cuba to have supplied Canada with the 241,300 tons of sugar which Canada imported from Australia in 1969 and for Australia to have supplied an equal amount to Japan the savings in freight costs, in 1969, would have been approximately \$2.5 million or an average of 25.5 cents per 100 pounds; in 1970, because of the much higher freight rates, the total savings would have been \$5.3 million, more than twice as large, and equivalent to a savings of 45 cents per 100 pounds of raw sugar. The additional cost of freight of \$2.5 million in 1969 and \$5.3 million in 1970 provided additional income to shipping companies some part whereof might otherwise have benefited developing countries.

Japan's total consumption of sugar has been increasing fairly rapidly for several years. Between 1965 and 1969, it rose by 673,043 tons, or 30 per cent, although the consumption of sugar, per person, was only 56.4 pounds, even in 1969. As demand continues to rise, as is likely, Japan will probably increase its imports from both Australia and Cuba. To the extent that exports of Australian sugar to Japan increase, the supply of B.P. sugar on which Canada can draw will decrease. The only other major source of B.P. raws to which Canada could turn, as its own demand increases, will be the Republic of South Africa. Therefore, it is probable, under the existing tariff structure, that South African supplies will become an increasingly large proportion of the Canadian total. As the preceding discussion has indicated, Canada would be the world's most attractive major market for South African sugar, even with a smaller preferential premium.

The Drawback of Duty and M.F.N. Imports

If there were no provision for drawback of the duty paid on imported raw sugar, when this sugar was re-exported as refined sugar or as sugar-containing products such as jams and confectionery, Canada would import very little raw sugar from M.F.N. suppliers. The situation, as it would have appeared to a claimant of the drawback in early January of 1971, is shown below; the advantage in using M.F.N. sugar for drawback purposes is obvious.

	Origin of Raw Sugar	
	<u>B.P.</u>	<u>M.F.N.</u>
	\$ per 100 lbs.	
Cost of raw sugar, 96 ^o , c.i.f. Montreal	4.71	4.71
Duty	.29	1.29
Preferential premium to seller	.75	0
Total cost c.i.f. Montreal, duty paid	5.75	6.00
Duty drawback (99%)	.28	1.27
Net cost to claimant	5.47	4.73

Drawback can be claimed only on the duty paid and, therefore, only 28¢ can be claimed on B.P. sugar whereas \$1.27 can be claimed on M.F.N. sugar. The 75¢ premium per 100 pounds serves only to make the basic price of B.P. sugar, c.i.f. Montreal, that much higher than that of M.F.N. sugar without being subject to drawback because it is not an element of the customs duty; if it were not for the preferential premium paid to sellers of B.P. sugar, the origin of the sugar would provide no advantage in claiming drawback.

At the time refined sugar is sold, whether as such or as liquid or invert sugar, it is not necessarily known whether the end product in the manufacture of which it is used will be exported so as to make such sugar subject to drawback of duty. Each refiner knows, from experience, approximately how much sugar will be subject to drawback claims in any year and, presumably, purchases a sufficient amount of M.F.N. raws to cover such claims. Refiners' prices do not differentiate between refined sugar made from B.P. or M.F.N. raws and, as a result, the purchaser of the sugar or sugar product, which is involved in the drawback claim, receives the total drawback but is charged the prevailing market price for the product.

Although the refiners said they absorbed the additional cost of M.F.N. raws, it is difficult to accept this view expressed in these terms. It is more probable that this additional cost is taken into account by refiners, as part of their overall operating costs and is paid for by all purchasers of refined sugar. If M.F.N. imports were 10 per cent of total imports, the additional 25¢ per 100 pounds which would apply to them, spread over the total, would amount to 2.5¢ per 100 pounds. Thus, prices of refined sugar to all purchasers, including exporters of sugar-containing products, would appear to be based on a cost of raw sugar which is 2.5¢ per 100 pounds higher than the cost of 96^o, B.P. sugar c.i.f. Montreal, and the savings to drawback claimants is about 22.5¢ per 100 pounds of 96^o raw sugar, in addition to the drawback, itself.

The foregoing is based on an examination of the drawback as it would apply if raw sugar were used by industrial users. In fact, industrial users usually purchase some form of refined sugar and claims for drawback of duty are based on equivalent amounts of raw sugar. Using the conventional conversion of 107 pounds of 96^o raws to 100 pounds of refined sugar, the drawback of \$1.27 shown in the above table, would amount to \$1.36 on 100 pounds of refined sugar; this is the amount by which the cost of refined sugar would be reduced, per 100 pounds, if it were to be exported as such or in sugar-containing products.

Because B.P. sugar is more expensive than M.F.N. sugar, when drawback is involved, the available market in Canada for B.P. sugar, is somewhat smaller than it might be. Obviously, B.P. exporters gain much more from the preferential margin which applies to the approximately 90 per cent of Canadian imports which they supply than they would from displacing M.F.N. supplies in Canada.

A similar situation existed in Britain up to 1961, as the British Sugar Board notes, in its 1962 Annual Report.

"There was, moreover, a defect in the existing Duty Arrangements from the Board's point of view as a seller of Commonwealth sugar, insofar as the drawback obtainable on delivery for duty free purposes of preferential sugar, or products made from it, was ... less than that obtainable on other sugar. For such purposes preferential sugar was thus more expensive than foreign sugar and such outlets were consequently not, in practice, available for it. The change in practice at the end of 1961 made them so, and thus extended the market for preferential sugar ..."

The Polarization of Raw Sugar Imports

Although international prices of raw sugar are based on raws of 96° polarization, the quantity of raw sugar, of such a low polarization, which enters into international trade is relatively small. Only two of 564 undamaged cargoes imported by Canadian refiners between 1965 and 1969 had a polarization as low as 96° or less; two damaged cargoes also were low in polarization, presumably, because of dilution with sea water. In contrast, 86 per cent of the undamaged cargoes exceeded 97° and 68 per cent exceeded 98° polarization.

Table 43: Polarization of Undamaged Cargoes^(a) of Raw Sugar Imported Into Canada, 1965-69

	<u>Under 96°</u>	<u>96°-97°</u>	<u>Over 97° to 98°</u> no. of cargoes	<u>Over 98° to 99°</u>	<u>Over 99°</u>	<u>Total</u>
<u>1965-69</u>						
Total imports	2	78	104	373	7	564
<u>By Origin</u>			per cent of cargoes			
Guyana ^(b)	-	-	2.2	97.8	-	100.0
Other B.P. Carib.	1.0	64.4	31.7	3.0	-	100.0
Other B.P.	-	-	0.7	96.9	2.4	100.0
M.F.N. Carib.	<u>1.2</u>	<u>15.7</u>	<u>81.9</u>	<u>1.2</u>	-	<u>100.0</u>
All cargoes	0.4	13.8	18.4	66.1	1.2	100.0
<u>By Years</u>			per cent of cargoes ^(a)			
1965	-	25.2	16.3	57.8	0.7	100.0
1966	0.8	14.4	23.2	59.2	2.4	100.0
1967	0.9	9.3	19.6	70.1	-	100.0
1968	-	9.9	15.3	73.0	1.8	100.0
1969	-	5.8	17.4	75.6	1.2	100.0

(a) Two damaged cargoes were less than 96° and one other was between 97° and 98°

(b) In 1969 includes three cargoes from Bahamas

Source: Reports submitted by Canadian refiners

All of the cargoes not exceeding 97° originated in the Caribbean area and almost all cargoes exceeding 98° originated outside of this region; Guyana and Bahamas cargoes are shown separately because their polarizations are similar to those of the B.P. countries located elsewhere than in the Caribbean. In view of the long schedule of rates under item 13500-1, beginning with sugar not exceeding 76° , it is significant that of the 567 cargoes imported between 1965 and 1969, four were less than 96° (including two damaged cargoes) but seven exceeded 99° ; the sugar of one damaged cargo was of a polarization between 97° and 98° .

The tabulation by years indicates that the average polarization of cargoes has increased, since 1965; in 1965, only 58.5 per cent of the cargoes exceeded 98° ; in 1969, 76.7 per cent exceeded 98° . The increase in polarization reflects the decline of imports of raw sugar from the B.P. Caribbean; the change is less than the cargo tabulations suggest, because Caribbean cargoes tend to be much smaller than those from most other B.P. countries and, therefore, the distribution by cargoes is not an accurate reflection of the average polarization of raw sugar imported. The weighted average polarization of sugars used by Canadian refineries is given below.

Table 44: Weighted Average Polarization of Raw Sugars
Used by Canadian Refineries, 1965-69

	Refineries <u>at Montreal</u>	<u>Others</u>	<u>Canada</u>
	weighted average polarization		
1965	97.94	98.32	98.15
1966	98.30	98.19	98.23
1967	98.22	98.38	98.31
1968	98.32	98.41	98.37
1969	98.45	98.45	98.45

Source: Reports submitted by Canadian refiners

As the table indicates, the average polarization of the raw sugars used by Canadian refiners increased from 98.15° to 98.45° , between 1965 and 1969. In this period, the number of Caribbean cargoes (B.P. and M.F.N.) declined from 57 per cent of the total in 1965 (based on undamaged cargoes) to 37 per cent in 1969. However, even in 1965, when Caribbean cargoes were a relatively large proportion of the total, the average polarization of the sugars used was approximately 98° .

Polarization data submitted by individual refineries indicate that four of the six refineries use raw sugars that are relatively high in polarization; in every one of the five years the average polarization of the raws used by each of these four refineries exceeded 98° . Although there were minor variations in the average polarization of the raw sugar used by the companies in individual years, these differences were not consistent, that is, no refinery consistently used sugars of significantly higher average polarization than the other three. As noted, two refineries used raw sugars of a lower average polarization than was used by the other four. However, the average polarization even of their raws exceeded 97.5° in every year, 1965-69, and increased during this period.

INTERNATIONAL AGREEMENTS AND COMMITMENTS

Over the years sugar has been the subject of many trade agreements. Some have been multilateral, others bilateral; some have been specific to sugar, while others have included sugar as one of many products affected. Canada has been signatory of several such agreements and has been affected by the terms of others to which she has not been a party.

From the point of view of their historical or potential impact on Canada's sugar trade, the most important of these are the International Sugar Agreements, the Commonwealth Sugar Agreement, the Canada-West Indies Trade Agreements and the General Agreement on Tariffs and Trade. These agreements are discussed below in this part of the Report; because of its indirect effects on Canadian purchases of sugar, the United States Sugar Act is also discussed below.

The International Sugar Agreement of 1968

The economic provisions of the 1958 International Sugar Agreement lapsed in 1962. On October 23, 1968, an International Sugar Conference, convened under the auspices of the United Nations, adopted the text of a new International Sugar Agreement which came into force on January 1, 1969. As required by the draft terms, it had been ratified by at least 60 per cent of the votes of the prospective exporting countries and 50 per cent of the votes of prospective importing countries by that date. Canada is a signatory of the Agreement and, as such, is a member of the International Sugar Organization, and of the International Sugar Council, the agency through which the International Sugar Organization functions.

For the purpose of determining the entry into force of the Agreement, importing countries deemed to be prospective ratifiers of the Agreement were assigned a total of 1,000 votes. Similarly, prospective export signers were assigned 1,000 votes in total. Each exporting and importing country was assigned votes varying in proportion to its usual trade in sugar, with a maximum of 200 votes per country. Although, sufficient proportions of importing and exporting countries' votes were received to bring the Agreement into force by January 1, 1969, many of the prospective importers and exporters have not yet signed the Agreement. The most important of these are the U.S.A., which has not signed as an importer, and the European Common Market, which has not signed as an exporter. The votes which had originally been assigned to such non-signatory countries were re-allocated to those countries which ratified the Agreement and Canada was allotted 200 votes out of a total of 1,000 importing countries' votes in the deliberations of the Council. Also, for the 1970 quota year, Canada is one of the eight countries comprising the importing members of the Executive Committee of the Council.

In some provisions of the Agreement, a distinction is made between developed and developing countries. Canada is considered a developed country for the purposes of these provisions and, as such, has given the following commitment in accordance with Article 51 ("Special undertakings by developed importing members"):

"Canada will operate its internal policies so as not to provide incentives to sugar production beyond a level representing 20 per cent of domestic consumption".

(Agreement, Annex A)

Stated objectives of the Agreement include, among others, the raising of the level of international trade in sugar; the maintenance of stable sugar prices which will be "reasonably remunerative to producers, but which will not encourage further expansion of production in developed countries"; the provision of adequate supplies of sugar "to meet the requirements of importing countries at fair and reasonable prices"; and provision for "adequate participation in, and growing access to, the markets of the developed countries for sugar from the developing countries". (Article 1 of Agreement)

These and other objectives of the Agreement are to be attained by a system of constraints placed upon the actions of both importing and exporting members. More specifically, exporting member countries accept a system of basic export tonnages for each country, together with a system of quotas related to their basic export tonnages, such that at specified prices for sugar, individual aggregate quotas can be reduced to 90 per cent of the basic export tonnage and, after a special vote, to 85 per cent; at specified higher prices, aggregate quotas may be increased to as much as 115 per cent of the basic export tonnage; finally, at prices above 5.25 cents per pound, in U.S. currency, for bulk sugar free on board and stowed in a Caribbean port, all quota restrictions are removed. Shortfalls of particular countries in meeting their export quotas may be distributed to other exporting members at the discretion of the International Sugar Council.

Sugar sold in accordance with the terms of certain special arrangements is not subject to the above-mentioned quota restrictions. Specifically, sugar exported by Commonwealth countries to Britain, as part of their "Negotiated Price Quotas" under the terms of the Commonwealth Sugar Agreement, is not charged against the export quotas of such Commonwealth countries; similarly, exports by Cuba to socialist countries, exports under the African and Malagasy Sugar Agreement, and exports to the U.S.A., are not charged against export quotas. As discussed elsewhere, exports to the U.S.A. under the U.S. Sugar Act and those to Britain under the Negotiated Price Quotas, are usually sold at prices higher than those prevailing in most other markets.

Exporting members have accepted, as a special obligation under Article 30 of the Agreement, the right of importing member countries to purchase, from their "traditional exporting Members", at a "supply commitment price" of 6.50 U.S. cents per pound, f.o.b.s. Caribbean ports, a quantity of sugar equal to the average quantity purchased in the two previous years; this obligation takes effect when the prevailing world price for sugar (f.o.b.s. Caribbean) rises above the 6.50 cent supply commitment price.

Each importing member of the Agreement is expected to give some undertaking as to the access of exporting members to its market; it is in compliance with this obligation that Canada has undertaken to limit domestic production of sugar in accordance with the previously quoted commitment, of Annex A of the Agreement. Six other importing

members had given commitments of a similar general nature, recorded in Annex A of the Agreement.

The most important obligations of the importing members are contained in Article 28 of the Agreement, entitled "Protection of exporting Members against the effects of exports by non-Members". Under this article importing members undertake that, in any quota year when "the prevailing price" of sugar is between 3.25 and 5.25 U.S. cents per pound, they will not import from non-member countries, as a group, more sugar than the average of the quantities imported from non-member countries, as a group, over the three-year period 1966-1968. In addition, they agree to prohibit all imports of sugar from non-members as long as the prevailing price is below 3.25 U.S. cents per pound, f.o.b.s. Caribbean ports.

Paragraph (1) of Article 55 of the Agreement, entitled "Measures to encourage consumption", is as follows:

"Bearing in mind the relevant objectives of the Final Act of the first session of UNCTAD [the United Nations Conference on Trade and Development], each member shall take such action as it deems appropriate to encourage the consumption of sugar and to remove any obstacles which restrict the growth of sugar consumption. In so doing, each Member shall have regard to the effects on sugar consumption of customs duties, internal taxes and fiscal charges and quantitative or other controls, and to all other important factors relevant to an assessment of the situation."

This paragraph, while worded so as to be general to all members, appears to be pointed more directly at importing members than at exporting members. However, unlike Article 28, it places no specific obligations on importing members; the paragraph seems to be an exhortation rather than an obligation.

The pricing specifications of the Agreement are drawn up in terms of a price, taken to be the price of sugar for purposes of the Agreement, for bulk sugar, free on board and stowed in Caribbean ports, expressed in U.S. cents per pound. This price, and the "prevailing price" are defined as follows, in Article 33. It should be noted that the article has been amended to refer to the New York No. 11 contract instead of the No. 8 contract which was originally specified.

"(1) For the purposes of the Agreement, the price of sugar shall be deemed to be:

- (a) the arithmetical average of the spot price under the New York Coffee and Sugar Exchange Sugar Contract No. 8 and the London Sugar Market daily price after conversion of both these prices to US cents per pound avoirdupois free on board and stowed Caribbean port, in bulk.

or (b) if the difference between the two prices referred to in sub-paragraph (a) above is more than six points, the lower of the two prices plus three points.

"(2) Where in the Agreement reference is made to the prevailing price being above or below any stated figure, that condition shall be deemed to be fulfilled if the average price over a period of seventeen consecutive market days has been above or below the stated figure, as the case may be, provided that the price on the first day of the period and on not less than twelve days within the period has also been above or below the stated figure, as the case may be."

The obligations of exporting members are set out in considerable detail in the Agreement. For example, the Agreement provides that basic export tonnages of exporting members will be affected not only when prices fall below 3.25 or rise above 5.25 U.S. cents a pound, but also at specified levels of prices within this range. It also takes into account whether certain price levels (4.00 and 5.00 cents) are reached after having been at a higher level and are decreasing or, having been at a lower level, are increasing. The details of these adjustments are shown in tabular form, below. The table distinguishes between adjustments of aggregate quotas and of individual quotas; the Agreement makes such distinctions at various price levels.

Table 45: Adjustments to Basic Export Tonnages of
Exporting Members at Price Levels Specified
in the International Sugar Agreement

Para.	(a) When the Prevailing Price		Quotas in Effect As % of Basic Export Tonnages (B.E.T.)
	Having been	Moves	
	U.S. cents per lb.		
2(d)	is above 5.25		all quotas are inoperative
2(e)	above 5.25	below 5.00	shall not exceed 115% (Aggregate)
2(c)	below 4.50	above 4.50	shall not be less than 110% (Aggregate)
2(f)	above 4.50	below 4.50	shall not exceed 95% (Individual)
2(b)	is above 4.00		shall be 100% (Aggregate)
2(g)	above 4.00	below 4.00	shall not exceed 95% (Individual)
2(h)	above 3.75	below 3.75	shall not exceed 95% (Aggregate)
2(i)	is at or below 3.50		shall not exceed 90% (Individual)
2(j)	above 3.25	reaches 3.25	may be reduced to 85% (Individual)

(a) Paragraphs of Article 48

Note: Some of the above changes in the export quotas are subject to either a decision of the Council (2(e), 2(f), 2(g), 2(h)) or to a special vote of the Council (2(b), 2(c), 2(i), 2(j)). In a "special vote of the Council" exporting and importing votes are counted separately and a two-thirds majority of both is required for implementation.

Source: Derived from the International Sugar Agreement, December 24, 1968

The Agreement is not explicit as to the particular level of sugar prices which it seeks to achieve but it is clearly intended to maintain prices within a range of 3.25 and 5.25 U.S. cents per pound save in exceptional circumstances. If the price declines to 3.25 U.S. cents per pound the Council may make the maximum reduction in export quotas permissible under the Agreement; also, as noted earlier, it is at prices below that level that importing members are obliged to prohibit imports of sugar from non-members. When the price exceeds 5.25 U.S. cents a pound, importing members are released from all obligations relating to purchases from members and restrictions on purchases from non-members, and exporting members are no longer required to observe any limitations relative to export quotas. However, their commitments as "traditional suppliers" of certain importing members are not affected. The highest prevailing price mentioned specifically is 6.50 U.S. cents per pound, at which level traditional suppliers are committed to supply certain quantities of sugar at 6.50 U.S. cents per pound to importing member countries. Other quota adjustments, and modifications in supply or purchase commitments, come into play at specified levels between these two extremes.

Exporting members are required to maintain minimum uncommitted stocks of sugar "which are additional to any stocks required to meet the needs of domestic consumers and any obligations under the special arrangements" previously referred to (Article 53). For developed exporting members, such as Australia and South Africa, this minimum level is 15 per cent of their individual basic export tonnages; for developing export members, such as the West Indies, Fiji and Mauritius, the minimum level is 10 per cent, but can be increased to $12\frac{1}{2}$ per cent of the basic export tonnage, with the agreement of the exporting member concerned.

The Agreement also provides, in Article 52, paragraph 1(a), that "Each exporting Member undertakes to adjust its production so that ... total stocks held by that Member shall not exceed on a fixed date immediately preceding the start of a new crop ... an amount equal to 20 per cent of its production in the immediately preceding calendar year ..." or (as in paragraph 1(b)) "an amount equal to 20 per cent of its basic export entitlement".

The stocks required by Article 53 are intended to act as a buffer against large changes in supply and consequent sharp increases in prices, and would be in accord with the stated objective "to maintain a stable price for sugar". The undertaking by exporting countries, under Article 52, to adjust their production so that stocks do not exceed 20 per cent of the preceding year's production, would also be in accord with that objective; the purpose of this undertaking is to adjust production in order to avoid a continued accumulation of stocks and a prolongation of periods of depressed prices.

Article 30 of the Agreement provides that "Ten days after the prevailing price rises above 4.75 U.S. cents per pound, sugar held as minimum stocks ... shall be released and offered for prompt sale and prompt shipment to importing members. Unless the Council decides otherwise the amount of sugar so released shall be 50 per cent of the total quantity held at that time under the provisions of Article 53;" that is, 50 per cent of the 10, $12\frac{1}{2}$ or 15 per cent of the

basic export tonnages, noted above. The same Article, under paragraph 2(b) provides that "ten days after the prevailing price rises above 5.00 cents per pound the total quantity of remaining stocks held under the provisions of Article 53 shall be released and offered for prompt sale and prompt shipment to importing Members ...".

Article 30 also deals with the commitments of exporting members when the prevailing price of sugar exceeds 6.50 U.S. cents per pound. In this Article the term "base commitment" is used; it is defined as meaning "for the second and each subsequent year of the Agreement, the average of the quantities of free market sugar exported by the exporting Member to the importing Member concerned during the two preceding calendar years;". The term "supply commitment price", also used in this Article, is 6.50 U.S. cents per pound except that an "exporting Member may ask a higher ... price, if it can show that it would, at that time, be eligible for such higher price under one of the special arrangements ...", as for example, under the U.S. Sugar Act or the Commonwealth Sugar Agreement's Negotiated Price Quotas.

The obligations, when the price of sugar exceeds 6.50 U.S. cents per pound, are shown below in brief outline.

Table 46: Obligations of Exporting Members When the Prevailing Price of Sugar Exceeds 6.50 U.S. Cents Per Pound

If the prevailing price exceeds 6.50 U.S. cents per pound:	Exporting members must make available the lesser of:
In the 4 months preceding start of relevant quota year	balance of base commitment
During the 1st quarter of quota year	75% of b.c. ^(a) or balance of b.c. ^(a)
During the 2nd quarter of quota year	50% of b.c. ^(a) or balance of b.c. ^(a)
During the 7th or 8th month of quota year	25% of b.c. ^(a) or balance of b.c. ^(a)
During the final 4 months of quota year	supply commitment shall apply to subsequent quota year

(a) Base commitment

The obligations tabulated above apply to "traditional" exporting Members, meaning "an exporting Member which exported free market sugar to the importing Member concerned during the previous two calendar years and "traditional importing Member" has a corresponding meaning ..."; "free market" means the total of net imports of the world market, exclusive of imports covered under Articles 35 to 38 inclusive, and under paragraph (3) of Article 39; Articles 35, 36, 37 and 38 pertain, respectively, to Negotiated Price Quotas under the Commonwealth Sugar Agreement, exports by Cuba to socialist countries, exports up to the amount of the Guaranteed Price Quota under the African and Malagasy Sugar Agreement and exports to the U.S.A. Paragraph (3) of Article 39 relates to exports by the U.S.S.R. to socialist countries.

The Agreement does not differentiate between raw and refined sugar: "sugar" means, in the Agreement, "sugar in any of its recognized commercial forms ... including edible and fancy molasses, syrups, and any other form of liquid sugar and for human consumption ..."

The Agreement imposes no commitment on importing members to purchase any amount of sugar from exporting members, at any level of prevailing sugar prices, provided of course that purchases are confined to exporting member countries whenever the prevailing world price for sugar falls below 3.25 U.S. cents per pound and that purchases from non-members are limited according to the terms of the Agreement when the world price is between 3.25 and 5.25 U.S. cents per pound. The Agreement seeks to attain its ends primarily by restricting the volume of exports by exporting members and by limiting purchases from non-members when prices are within certain specified ranges. Apart from these restrictions, importing members are free to obtain their sugar at whatever price they can contract for; they are not committed to pay the calculated prevailing price if they can obtain a lower price by negotiation.

There are 72 Articles in the Agreement many of which have several paragraphs and sub-paragraphs. Only a selection of the more important provisions are dealt with in this section, either with respect to the obligations of exporters, as above, or the obligations of importers. Many of the Articles are concerned with administrative procedure; those which are designed to achieve the objectives of the Agreement are summarized below.

If prices of sugar are declining, the International Sugar Organization (I.S.O.) attempts to slow or halt the decline by reducing the quotas in effect by five to ten per cent when prices are in the range of 5.00 to 3.25 U.S. cents per pound and by reducing the quotas by 15 per cent, when prices fall below 3.25 U.S. cents a pound. When the latter occurs, importing members become committed to prohibit all imports of sugar from non-members. When prices are within the range of 3.25 to 5.25 cents per pound imports from non-members are limited to the average of such imports in the period 1966 to 1968.

If prices of sugar are rising, the I.S.O. tries to slow, or halt the rise by increasing available supplies. Thus, when the prevailing price exceeds 4.75 U.S. cents a pound, exporting members are obligated to release 50 per cent of their minimum stocks and, when it exceeds 5.00 U.S. cents per pound, are obligated to release the remainder. When prices exceed 5.25 U.S. cents a pound, importing members can seek supplies from non-members, without restriction; and, when the price exceeds 6.50 U.S. cents a pound, exporting members are committed to supply certain percentages of their "base commitment" (see preceding discussion) to importing members in respect of whom they are considered to be "traditional" suppliers.

As the foregoing suggests, the obligations of exporting members are more numerous than those of importing members. This is because the demand for sugar is inelastic relative to price and, therefore, the available supply is a principal determinant of price. It is therefore logical to try to achieve such a balance between supplies and anticipated demand that prices would be within the range of 3.25 to

5.25 U.S. cents per pound. However, as the preceding discussion indicates, even within this range the Agreement is designed to modify changes in price, either upward or downward. In fact, the terms of the Agreement suggest that, when the Agreement was being drafted, the signatories considered 4.00 U.S. cents a pound to be that price "which will be reasonably remunerative to producers, but which will not encourage further expansion of production in developed countries" and would "provide adequate supplies of sugar to meet the requirements of importing countries at fair and reasonable prices".

The Agreement has been in force only since January 1, 1969, and it is too early to assess its full impact on the Canadian market. Since its inception and until late 1970, the prevailing price of sugar has fluctuated between approximately 2.62 and 4.12 U.S. cents per pound. As a result, there has been no occasion to test the effectiveness of the supply commitment or inventory release clauses of the Agreement. Also, it cannot yet be determined whether the commitment of exporters to supply their traditional customers with sugar at a price of 6.50 U.S. cents per pound will be effective in periods when substantially higher prices are offered by others.

Administratively, the Agreement has entailed the setting up in Canada of a means of ensuring that sugar will not be imported from non-members when the prevailing price is below 3.25 cents and that annual imports from non-member countries will not exceed the three-year average of imports from non-members, as a group, when the price is between 3.25 and 5.25 U.S. cents per pound. These commitments are enforced by the Department of Industry, Trade and Commerce, which notifies the Canadian sugar trade of the current state of these obligations. Subject to such restrictions as the Department has found necessary to enforce, the Agreement has not affected the institutional patterns of trade in sugar; unlike the situation in many other importing countries, the importation of sugar remains a matter of contract between foreign sellers and commercial buyers in Canada.

The restrictions on imports from non-members are not likely to have any significant impact on the origins of raw sugar for Canada, because practically all of the countries from which raw sugar is imported are members of the Agreement. Thus, of the approximately two billion pounds of raw sugar imported by Canada in 1968 and 1969, none was imported from countries which are not now signatories of the Agreement. In some recent years, refined sugar has been imported from Britain and other importing member countries; such shipments could continue, because the restrictions on imports from non-members do not apply to imports from countries which are themselves classed as importing members of the Agreement. However, the small amounts of refined sugar which have customarily been imported from the U.S.A. are affected, because it is not a signatory of the Agreement.

The undertaking not to provide incentives to the production of sugar beyond 20 per cent of our domestic consumption also does not appear a significant restriction on potential production of beet sugar. Beet sugar currently accounts for between 12 and 14 per cent of Canadian consumption. Thus, the 20 per cent limitation allows an increase of from 43 to 67 per cent above current levels of beet sugar production, even if no account is taken of any increase in Canadian consumption of sugar.

In the light of the foregoing, it would appear that the principal impact of the International Sugar Agreement presumably will be not on the sources of sugar supplies, domestic or external, but on the price of the raw sugar which Canada buys and, therefore, on the price of Canadian refined sugar. While the expressed objectives of the Agreement do not include the raising of world sugar prices above those "reasonably remunerative to producers", an increase in world prices above the depressed levels of the years 1965 to 1968 was a primary concern; indeed, during the autumn of 1968, when the terms of the Agreement were being negotiated, the price of world sugar, f.o.b.s. Caribbean ports, fell to 1.37 U.S. cents per pound, about half the price eventually specified as the price below which all imports from non-member countries would be prohibited and quotas of exporting members could be reduced by 15 per cent. Even spokesmen for importing countries conceded that such prices were unreasonably low.

In view of the above, it is appropriate to examine how the I.S.A. could be expected to affect prices paid by Canadian refiners for raw sugar. A large part of the world's exports of sugar is covered by special arrangements involving premium prices which tend to assure priority in honouring supply commitments. At the public hearing, the spokesman for Mauritius stated that only about 8.5 million metric tons of sugar was traded at the "so-called world sugar price". (Vol. 6, p. 982) About 5.7 million metric tons, approximately two-thirds of this amount, is covered by the International Sugar Agreement; the remaining 2.8 million tons is the approximate amount of free market sugar available for export by countries which are not members of the International Sugar Organization.

If the relevant tariff items and rates of duty remained unchanged, it would make very little difference, relative to the size of the supply of sugar on which Canadian refiners could draw, whether Canada was or was not a signatory of the I.S.A. so long as the prevailing price of sugar was within the range of 3.25 to 4.75 U.S.¢ per pound. If Canada was not a member of the International Sugar Organization, it would be in a position to draw on the total supply of sugar not covered by the special arrangements recognized by the I.S.A. Because of the Canadian preferential premium, the I.S.O. might treat exports to Canada by its traditional B.P. suppliers, as exports under special arrangements, not chargeable against basic export quotas. If this were not done, the basic export quotas of exporting members would probably have to be decreased by the approximately one million metric tons (18 per cent) which Canada imports annually, in order to keep the estimated supply and demand of exporting and importing members in an approximate balance. Thus, there would probably be little effect on Canada's sources of sugar supplies in so far as I.S.A. exporting members were concerned.

However, as an importing member of the I.S.O., Canada is limited by the provisions of the Agreement with respect to the quantity of sugar which she may import from non-member countries and she would have no such limitation as a non-member. This would allow Canada to purchase surplus beet or cane sugar from a large number of countries which are not signatories of the I.S.A. It is difficult to estimate how this would affect the supplies which might be available to Canada, but the total would certainly be larger than the 5.7 million metric tons of the I.S.A. and might be as large as the 8.5 million tons of the Mauritius estimate.

When the prevailing price was within the range of 3.25 to 4.75 cents per pound, the price at which Canadian refiners purchased sugar would be essentially unaffected. The prevailing price, itself, is based on both the New York No. 11 contract and the London Daily Price and represents the price at which sugar outside of special arrangements is purchased in world trade. The greater freedom Canada might have as a non-member importing country to buy sugar from non-member exporting countries would be of negligible importance.

At 4.75 U.S. cents a pound the provisions of the Agreement relating to liquidation of stocks come into effect and, as a non-member, Canada would not benefit except indirectly; to the extent that such a liquidation affected world prices, any sugar importing country would benefit. If the requisite stocks were in existence, there would almost certainly be some effect, but the principal benefit would be to importing members who obtained the stocks. If Canada were not a signatory, at prices above 5.25 U.S. cents per pound, Canadian refiners would have great difficulty in obtaining supplies of B.P. sugar, most of which would be committed to importing members of the I.S.A. or under special arrangements. They would have access to small amounts of uncommitted sugar from countries which were not members of the I.S.O., assuming, of course, that the exporting members adhered to the terms prohibiting sales to non-members and that exports to Canada were not regarded as sales under special arrangements.

Thus, given the existing tariff items and rates, membership in the I.S.O. appears to be preferable to non-membership, if exporting members honour their commitments regarding traditional trading partners, stocks of sugar and offerings to importing members when prices are rising. The Agreement's effectiveness and effects can be assessed only in relation to how exporting member countries observe their commitments when prices are rising and how importing member countries honour their obligations when prices are relatively low and falling. Within the range of 3.25 and 4.75 U.S. cents per pound of the prevailing price, world supply and demand relationships are likely to be such that membership in the I.S.O. is unlikely to be a significant advantage for either importing or exporting member countries except as a forum in which problems could be discussed.

If Canada's tariffs on sugar were neutral, that is, if the rates were the same under the B.P. and M.F.N. Tariffs, Canada would, theoretically, be in a position to purchase the approximately one million metric tons which she imports annually, from any of the exporting member countries whose basic export tonnages went to make up the 5.7 million M.T. noted above, about 17 per cent of the total. Because of the preferential margin in the Canadian sugar schedule, Canadian purchases are limited mainly to B.P. countries, almost all of which are exporting members of the I.S.A.; these had final export quota tonnages totalling 2.1 million M.T. Thus, the provisions of the I.S.A. in conjunction with those of the Customs Tariff made Canada the prospective purchaser of about 45 per cent of the total free market export tonnages of a small group of potential suppliers.

As noted earlier, Canadian purchases of sugar for refining from non-member countries are almost negligible, and this situation is unlikely to change so long as the preferential margin in the rates on sugar remain unchanged. If there were no preferential margin, Canadian refiners would be able to purchase sugar from a much wider range of suppliers without any disadvantage in respect of price but, because of

the small size of its total purchases of sugar from non-members between 1966 and 1968, would be limited to seeking additional suppliers mainly from among M.F.N. countries who were exporting members under the I.S.A. Under Article 28, Canada has undertaken not to import from non-members more sugar than the average quantity imported in the three years 1966-68, when the prevailing price is in the range of 3.25 to 5.25 U.S. cents a pound.

World prices began to rise about the time the Agreement was signed. From less than two U.S. cents per pound in the fall of 1968, the London Daily Price for 96° sugar, f.o.b.s. Caribbean, rose to about 3.27 cents in February of 1969, and about four cents in May, 1969. The corresponding prices of the International Sugar Agreement prevailing price series, calculated as noted earlier, reached a high of 3.71 U.S. cents per pound in June of 1969. Thereafter, it declined steadily throughout the summer and fell below 3.25 U.S. cents per pound in mid-August; in mid-September, 1969 it reached a low of 2.62 U.S. cents a pound.

After the prevailing price had passed below the 3.25 level, the ban on purchases by importers from non-members came into force. The International Sugar Council did not cut export quotas below 90 per cent of basic tonnage, as it could have done, but rather depended upon market forces, plus the ban on the redistribution of shortfalls from deficit countries, to enable the market to recover. Since September of 1969, world prices have moved waveringly upwards; the LDP reached 4.34 U.S. cents per pound in late December of 1970 and a high of 5.20 U.S. cents in early February 1971; the LDP stood at 5.07 U.S. cents in early April of 1971.

It is open to question how much of the increase in sugar prices since the Agreement was signed is attributable to the Agreement itself, and how much to other factors. Some traders give credit to the Agreement. For example, in one report evaluating the sugar market in 1969, it was stated that "The ISA has been the main instrument in lifting sugar prices from the depressed level of the past two or three years ..."

However, the size of the available supply of free market sugar, in 1969, also offers an explanation of the rise in prices. In 1969, the world's net exports of sugar amounted to 15.3 million metric tons compared with 17.3 million metric tons in 1968, a decrease of 12 per cent. The amount of sugar entered under the U.S. Sugar Act and the Negotiated Price Quotas, at premium prices, was about the same in the two years and the amount exported outside of these special arrangements was 11.4 million metric tons in 1968 and 9.5 million metric tons in 1969, a decline of 17 per cent. Thus, whether world net exports or the amount of sugar available for export outside of special arrangements, is used as a measure of the overall supply situation, the rise in prices in 1969 would have been a reasonable expectation. However, to the extent that the Agreement limited additional production in some areas and therefore contributed to the decline in volume, the Agreement was also a factor.

The Commonwealth Sugar Agreement

A Commonwealth Sugar Agreement (C.S.A.) was signed in December 1951. Since that time, various amendments have been made to the terms of the Agreement and to the list of participating countries; in the present section reference is made to the Agreement as it was at

the end of 1968; it is understood that there have been no changes of substance between that time and mid-1970.

Basically, the Agreement outlines the relationship between the United Kingdom, as the only sugar-importing country signing the Agreement, and certain sugar industry associations on behalf of the sugar exporting countries of the Commonwealth. Exporting signatories represent the sugar industries of Australia, Antigua, Barbados, Jamaica, St. Kitts, St. Lucia, St. Vincent, Trinidad, Guyana, British Honduras, Mauritius, Fiji, Tanzania, Kenya, Uganda, India and Swaziland; Rhodesian membership is currently in suspense.

Canada is not and has never been a party to the Agreement, but is affected by its terms. This comes about by virtue of the provisions for making supplies available to Canada, which exporting members of the Agreement have accepted as part of the terms of the Agreement. Under the C.S.A., each exporting member is assigned an "Overall Agreement Quota" (O.A.Q.), which is defined as "the total quantity to which it is agreed each Exporting Territory will limit its exports in any one year for sale or shipment to the preferential and negotiated price markets ...". "Preferential Markets" are defined as "the markets in the United Kingdom and Canada available for the entry of Commonwealth sugar on a preferential tariff basis".

Each exporting member is also assigned a "Negotiated Price Quota" (N.P.Q.), which is defined as "the quantity of sugar agreed by each Exporting Territory as the maximum annual quantity of exports ... to which negotiated prices apply", that is, the prices negotiated between supplying countries and the United Kingdom and applying only to the specified quantities of sugar to be bought by the United Kingdom Government. "Negotiated prices" are defined as "the prices negotiated between the parties hereto ... in order to provide reasonably remunerative prices to efficient producers". Negotiated prices are fixed at triennial reviews on the basis of annual cost data (Article 16). In Article 17 the dependence of less-developed territories on exports of sugar is recognized by the U.K. and provides for a special payment "related inversely to the world price" to offset the effect of depressed world prices.

The negotiated price has ordinarily been substantially higher than the world price and fulfilment of the negotiated price quota obligation is, therefore, almost certain except when there is an insufficient supply of sugar available for export. Only the prices under the quotas established by the U.S. Sugar Act are likely to be higher than negotiated prices, except in unusual circumstances.

Note 8 of the 1968 Agreement states that "the negotiated price for 1966, 1967 and 1968 was fixed at £43 10s. Od. per long ton bulk sugar 96° polarization f.o.b. and stowed ... with the addition for less-developed exporting territories of the special payment referred to in Article 17, which consisted of a fixed element of £1 10s. Od. per ton representing the former Colonial Certificated Preference and an element varying inversely with the world price from £2 10s. Od. per ton to nil. In 1968 the fixed negotiated price for 1969, 1970 and 1971 was fixed at the same level as for the three preceding years".

Table 47: Comparison of Negotiated Prices to Less Developed Countries^(a) Under the C.S.A. with Average Annual London Daily Prices, 1966-70

Negotiated Price ^(b)	Negotiated Price (N.P.) ^(b)		Average LDP (c.i.f. London)
	Freight	Negotiated Price	
	Carib. to London	c.i.f. London	
	- Canadian cents per pound -		
1966	6.38	.44	6.82
1967	6.29	.45	6.74
1968	5.47	.46	5.93
1969	5.46	.46	5.92
1970	5.30	.67	5.97

(a) Currently only Australia is excepted

(b) £43.5 plus £4.0, of which £1.5 is a fixed element and £2.5 varies inversely with world price

Source: The Commonwealth Sugar Agreement, Text of 1968

A comparison of the negotiated prices with free market prices (actually LDP annual averages) is given in the preceding table. Clearly, the negotiated price provides a substantial premium and, therefore, assures priority in delivery. The negotiated price, exclusive of supplementary payments, would apply only to Australia. However, the price is f.o.b.s. country of origin and, therefore, does not involve any element of freight cost absorption for Australia relative to West Indies' suppliers; the LDP is based on sugar c.i.f., free in and out U.K. port and, to Australia, represents less revenue than its nominal value, for shipments delivered to either Britain or Canada.

All of the less-developed countries would receive the amount shown in the first column from the left. Australia receives neither of the two supplementary payments which, in total, amount to £4 per long ton or approximately 45 cents per 100 pounds of sugar, at the rates of exchange in effect in 1970.

On the surface it would appear that the sales to Canada, by each sugar-producing country affected by the Commonwealth Sugar Agreement, are limited to an amount equal to the difference between the exporting country's O.A.Q. and its sales under its N.P.Q. This upper limit is further limited by an amendment to the Agreement which specifies that the 75,000 tons of sugar supplied annually to New Zealand, by the exporting territories party to the Agreement, mainly Australia, should be charged against the O.A.Q. If Australia supplied the total amount, its apparent maximum permitted annual sales to Canada would be its O.A.Q., minus the sum of its sales to the U.K. under the N.P.Q. and the 75,000 tons sold annually to New Zealand. However, this does not constitute a significant limitation on the supplies available from Australia.

If any country did not fill its N.P.Q. to the United Kingdom, such a deficiency would of course increase the theoretically possible sales to Canada, but this is not a likely situation except when the LDP is higher than the N.P.Q. price. Given the relative prices of N.P.Q. and other sugar, exporting territories would ensure that their N.P.Q.'s would be filled before committing themselves to sales to Canada. Moreover, Note 7 of the Agreement states that "each individual territory will be responsible for shipping to the United Kingdom its individual negotiated price quota, unless it can enter into arrangements with another Commonwealth territory or territories to cover any shortfall." In view of the attractiveness of the negotiated price plus supplementary payments relative to alternative prices, it is virtually certain that the arrangements mentioned will be made.

The limitations on potential exports to Canada by individual Commonwealth sugar-producing countries are subject to a proviso under which the deficiencies of one exporting territory relative to its O.A.Q. may be taken up by other exporting territories. (Article 7(b)) The way that the deficiencies of one exporting territory are to be re-assigned to other countries is not specified in the Agreement, but the Article indicates that no effective limit is placed on the exports of any one Commonwealth country to Canada so long as sales by all the exporting territories, as a group, do not exceed the total amount eligible for shipment to Canada under the Agreement. However, the Article stipulates that the deficiency "from any Exporting Territory relative to its overall agreement quota ... be taken up (at their option) ... by other Exporting Territories ..." and is not a binding obligation. In effect, such a deficiency would be supplied by others only if it were more profitable to do so than to export to another destination.

The following table sets out the quota situation, as derived from the 1968 text of the Commonwealth Sugar Agreement, together with 1969 exports of the relevant territories to Canada, the U.S.A. and Britain. Mauritius exported more sugar to Canada, in 1969, than its quota allocation, but several countries shipped less than their quota allocation and, therefore, the export entitlement of other countries could be increased by a redistribution of shortfalls.

Table 48: Export Quotas Under the Commonwealth
Sugar Agreement Compared with, Exports
to Selected Countries, 1969

Countries	Overall Agreement Quota	Negotiated Price Quota	Maximum Sales to Canada (a)	Exported to:		
				Canada	U.K.	U.S.A.
		thousand	long tons of	2,240 pounds		
Australia(b)	662	335	252(c)	159	336	164
W. Indies(b)	999	725	274	75	725	200
Mauritius	536	380	156	176	380	15
Fiji	243	140	103	72	140	37
East Africa(d)	21	7	14	23	-	-
Br. Honduras	37	20.5	16.5	14	21	14
India	142	25	117	-	25	67
Swaziland	126	85	41	31	82	6
Total	2,766	1,717.5	973.5(c)	550	1,709	503

(a) Overall Agreement Quota minus the Negotiated Price Quota

(b) Includes Guyana

(c) Assumes 75,000 tons is supplied by Australia to New Zealand as part of its O.A.Q.

(d) Kenya, Tanzania and Uganda; to January 1971 these countries, as a group, have had no net surplus and, therefore, have not qualified for N.P.Q. exports

Article 7 of the Agreement states that the overall agreement quotas "are irreducible as well as being the maximum quantities to be exported by the respective Territories to the preferential and negotiated price markets ..." However, it is clear from the preceding table that although the O.A.Q.'s may be the maxima, they are certainly not irreducible. In 1969, the exporting signatories of the Agreement supplied 550,000 long tons of sugar to Canada and 503,000 long tons to the U.S.A.; the approximately 239,000 long tons of additional B.P. sugar which Canada imported in 1969 came almost entirely from South Africa. The situation was similar in 1968 when South Africa supplied the total shortfall of Canada's B.P. sugar imports, about 283,000 long tons; in 1968, signatories of the C.S.A. shipped about 527,000 long tons of sugar to the U.S.A.

While the difference between the O.A.Q. and the N.P.Q. is broadly interpretable as the maximum sales which may be made to Canada, in practice, any purchases by United Kingdom agencies beyond the amounts specified under the N.P.Q. would also come out of the difference between the O.A.Q. and N.P.Q., thus further limiting potential sales to Canada. However, such purchases by the U.K. would have to be at a higher price than the London Daily Price quotation to take account of the preferential premium paid by Canadian importers and the resulting higher return available to B.P. suppliers from sales to Canada than to Britain.

It should be emphasized that the limitations which the Commonwealth Sugar Agreement places upon the shipments of sugar to Canada from individual Commonwealth countries are not limitations

imposed by Canadian legislation or regulation. Exporting members of the Agreement are primarily sugar industry associations of the countries or territories concerned. These marketing organizations adopted the limitations on exports to Canada for the purpose of regulating the trade and achieving a system of "orderly marketing".

The Commonwealth Agreement contains, as Article 3, a provision to the effect that "... the parties to this Agreement will give priority to sales of Commonwealth Sugar to Canada and subject to market considerations will make sugar available for sale to Canadian refiners through normal commercial channels in such quantities and from such sources as they may require". The reservation about "market considerations" in this statement has the effect of removing most of the force of the Article; it appears to reduce it to the status of a statement that Commonwealth exporters will not refuse to sell sugar to Canada if returns from such sales are higher than those received from sales to other destinations. Of course, the converse, that Commonwealth exporters will not agree to sell sugar to Canada unless there is a commercial advantage from such sales, would probably also be true. The brief of Canada and Dominion Sugar Company Ltd. states that, while the Article had some meaning prior to 1963, it is now platitudinous; and the President of British Columbia Sugar Refining Company Limited, when asked if the "market considerations" qualification of Article 3 gave him much anxiety, replied that it didn't give him too much confidence. (Vol. 1, p. 97; Vol. 5, p. 682)

Thus, it would seem that the Commonwealth Sugar Agreement does not have any significant effect in assuring Canada of supplies of B.P. sugar. It is doubtful if Canadian purchasers of sugar derive any priorities in supplies not already available as a result of market considerations. However, there have been occasions in the past, when the U.K. Sugar Board has released N.P.Q. sugar for sale to Canadian refiners.

The U.S. Sugar Act of 1948

The U.S. Sugar Act of 1948 has had a significant impact on Canadian purchases of raw sugar since 1960. Before 1960, Cuba had been a major supplier of raw sugar to the U.S. market but, as a result of the Cuban revolution and subsequent developments, U.S. importers were forced to seek supplies elsewhere. Thus, beginning in effect in 1959, quotas were allocated to Commonwealth sugar exporters under the Act and these countries, which had shipped virtually no sugar to the U.S.A. for several years prior to 1960, became important suppliers to the U.S.A. after 1960. In 1969, the U.S.A. imported 647,000 short tons of sugar from B.P. suppliers; more than one-third of these imports was from Commonwealth Caribbean countries. To the extent that the U.S.A. purchases B.P. raws, the supply upon which Canada can draw is reduced.

The description of the main features of the U.S. Sugar Act, which follows, is largely based on, or abstracted from, the report of the U.S. Tariff Commission entitled "Summaries of Trade and Tariff Information" Vol. 9, T.C. Publication 288, February 1969.

Beginning with the Jones-Costigan Sugar Act of 1934 and continuing through the currently effective Sugar Act of 1948, as amended, the United States has employed quotas as the primary instrument of government control respecting sugar. Virtually all sugar for the United States market, whether domestic or imported, is limited by absolute quota. These quotas, in conjunction with "Parity Prices" which apply to domestically-produced sugar, have resulted in U.S. prices usually being above world market prices by substantially more than the U.S. duty. Foreign suppliers, through controlled marketing, customarily receive the full U.S. price less the duty. The duty on 96° polarized sugar is 62.5 U.S. cents per hundred pounds. The quotas limit imports largely to raw sugar. All sugar marketed in the United States, whether domestic or foreign, is also subject to a refining tax (or additional import duty in the case of imports of refined sugar) of 0.53 cents per pound. Sugar Act quotas have allocated about three-fifths of the continental U.S. market to domestic producers and two-fifths to foreign suppliers, in recent years.

On July 6, 1960, the quota for imports of sugar from Cuba, formerly the major supplier of sugar to the United States, was reduced by presidential proclamation for the remainder of the calendar year. The quota was then reduced to zero from January 1, 1961 until, effective February 7, 1962, all further trade with Cuba was prohibited, also by presidential proclamation. In effect all imports from Cuba ceased as of July, 1960.

Under section 201 of the Sugar Act, the Secretary of Agriculture determines, for each calendar year, the amount of sugar needed for consumption in the continental United States and allots the total among suppliers. The initial determination may be followed by the supplementary allotments deemed necessary to meet the requirements of consumers. The Sugar Act of 1948 provided specific quotas for domestic areas and the Philippine Republic and assigned the remainder of consumption to foreign countries other than the Philippines. This provision was amended in 1956, 1960, 1962 and 1965. The amendment in 1960 permitted allocation to other countries of the quota formerly granted to Cuba; the 1965 amendment provided that 65 per cent of any increase in consumption above 10.4 million tons should be assigned to the basic quota for domestic beet and mainland cane sugar.

The sugar supplied against quotas for most foreign and domestic areas have generally been close to the final adjusted quotas. Under the act, if either domestic areas or foreign countries are unable to fill their quotas, such quota deficits are allotted to other foreign countries.

When imports of Cuban sugar were, in effect, suspended in July 1960, the Cuban quota was "reserved" in the Sugar Act pending resumption of diplomatic relations. The 1962 amendment to the Sugar Act, however, reduced the Cuban reservation from 96 per cent to 58 per cent of the total for foreign countries other than the Philippine Republic and most of the residual was allocated principally to Peru, the Dominican Republic, Mexico, and Brazil. Under the Sugar Act, as amended in 1965, the quota was allocated among 32 foreign countries. The allocation to Cuba was reduced from 58 per cent to 50 per cent of the total and, during the suspension of diplomatic relations with

that country, was prorated among the rest according to their basic quotas, subject to a preference for countries that are members of the Organization of American States.

Sections 211 and 212 of the Sugar Act exclude imports of sugar or liquid sugar, from the quota, if imported under bond for processing and export or if imported for use in livestock feed or for the production of alcohol. Such sugar can be purchased at world market prices as it may not legally be marketed in regular domestic outlets and enables U.S. exporters of sugar or sugar-containing products to compete in world markets without using higher-priced U.S. quota sugar; it also makes it economically feasible to market certain livestock feeds which contain sugar.

Under the administration of the Sugar Act, an amount of money slightly less than that collected each year under the sugar excise tax is paid to domestic growers of sugar cane and sugar beets, subject to their observance of regulations as to minimum wages, child labor, and marketing and acreage limitations. The conditional payments to growers are based on the volume of production of the individual growers of sugar beets or sugar cane. Payments vary from 0.8 cents per pound of sugar, raw value, for the smallest growers to 0.3 cents per pound for the largest growers. The payments account for about one-eighth of the growers' total cash receipts from sugar beets and sugar cane. These payments are, of course, additional to the higher returns made possible by the high prices of sugar resulting from the restrictions on supplies and the Parity Price policy respecting domestically-produced sugar.

During the period, 1957-62, the annual average price of raw sugar at New York, generally quoted as the domestic price, ranged from 6.3 to 6.5 cents per pound and was generally $2\frac{1}{2}$ to 3 cents above the world price. In 1963, then the world price advanced to 8.5 cents, the New York price advanced to 8.2 cents and, although less than the world price, was appreciably higher than the price reference point at that time under the Sugar Act, of 6.6 cents. The New York price declined in 1964 and 1965 but advanced in subsequent years, whereas the world market price continued to decline after 1963 and remained at a low level of less than two cents per pound in 1967 and part of 1968.

In accordance with the restrictions of the Sugar Act, imports of sugar into the United States are confined mainly to raw sugar. The total imports and their distribution among countries reflect the Sugar Act quotas. The U.S. market has usually been highly attractive to countries to which quotas were assigned and such quotas have almost always been filled. However, even in the occasional years when high world prices have made the U.S. market somewhat less attractive than other markets, quotas tend to be filled because of the penalties provided in the Act for failing to meet assigned quotas. The Act states that the Secretary of Agriculture may reduce the quota of a country for subsequent years if it fails to fill its quota for reasons other than "crop disaster or other force majeure".

Imports ranged from 3.6 million to 5.1 million tons and averaged 4.5 million tons during 1963-69. During the same period imports from the Philippine Republic averaged 1.2 million tons and supplied 26.7 per cent of total U.S. imports. The value of imports of foreign sugar in 1969, exclusive of sugar contained in syrups, was about \$ U.S. 638.2 million.

Table 49: Quantities and Prices of Sugar Imported into the U.S.A. from B.P. Suppliers, 1961-69

	U.S.A. Imports From B.P. Origins		Price f.o.b.s. Caribbean For Exports To:	
	Final Quota	Imports (a)	U.S.A.	World Mkt.
	'000 short tons		U.S. cents per lb.	
1961	531.0	529.3	5.36	2.91
1962	600.4	618.5	5.56	2.98
1963	753.7	743.7	7.27	8.50
1964	658.9	660.3	5.98	5.87
1965	636.3	641.4	5.80	2.12
1966	571.5	576.3	6.03	1.86
1967	586.0	625.5	6.32	1.99
1968	648.9	648.5	6.54	1.98
1969	647.9	647.0	6.75	3.37
1970	663.6(b)	..	..	..

(a) Final adjusted quota plus small amounts of non-quota sugar
(b) Preliminary

Source: Derived from U.S.D.A., Sugar Statistics and Related Data, Vol. 1, Feb. 1970, tables 42, 58; I.S.O. Year Book

The effect of the quota system and its associated high prices on Canada's potential supplies of raw sugar is shown in the preceding table. A comparison of prices f.o.b.s. Caribbean, for exports to the U.S.A. and to the so-called free market, makes it clear that, apart from years of exceptionally high world prices, as for example, in 1963, the attractiveness of the U.S. market to exporters is very much greater than that of the free market; returns from sales to Canada would be $\frac{3}{4}$ cent per pound higher than the free market price. To the extent that exports to the U.S.A. reduce the potential supply on which Canadian refiners can draw, the bargaining position of Commonwealth suppliers is enhanced and that of Canadian refiners is diminished. Except in unusual circumstances, under the existing Canadian preferential rates, Canadian refiners would have to pay an additional 25 cents per hundred pounds of 96⁰ sugar on purchases of M.F.N. sugar relative to B.P. sugar and, thereby, broaden the scope of their potential suppliers; apparently, this $\frac{3}{4}$ cent per pound, together with long-established commercial relationships, is sufficient largely to inhibit such action.

It is clear, from the table, that, even in 1963, when the world free market price was higher than the unit return from quota sales to the U.S.A., B.P. suppliers fulfilled their commitments to the U.S.A. almost in total; the shortfall of 10,000 tons represented only 1.3 per cent of the final adjusted quotas, in a year of world-wide shortages of supplies of raw sugar. Moreover, the combined final adjusted quotas for B.P. suppliers were actually more than 25 per cent higher in 1963 than in 1962. Thus, although their return, f.o.b.s. Caribbean, was 1.23 U.S. cents a pound less on sales under the U.S. Sugar Act quotas, Commonwealth suppliers considered their quotas to be more valuable, in the longer run.

During the period 1960-69, Canadian imports of sugar from Commonwealth Caribbean suppliers declined sharply, from an average of more than 300,000 short tons per year in the early 1960's to less than 200,000 tons per year towards the end of the decade. During the same period, Commonwealth Caribbean countries continued to export sugar to the U.S.A. to the limit of their quotas under the U.S. Sugar Act. Of course, as the preceding table indicates, the return, f.o.b.s. Caribbean, was very much higher for exports to the U.S.A. than to Canada, in most of this period.

The Canada-West Indies Trade Agreements

In 1912, Canada and the British West Indies, as these territories were then collectively known, entered into their first trade agreement. Other trade agreements between Canada and the West Indies were signed in 1920 and 1925. The latest, the agreement signed in 1925, was brought into effect in 1927 by "The West Indies Trade Agreement Act, 1926." The Act dealt with Canadian trade relations with Bermuda, British Honduras and British Guiana (now Guyana), as well as the islands of the Commonwealth Caribbean area more commonly thought of as the British West Indies. This Act was not incorporated into the Revised Statutes of 1952 but it was not repealed and is still in force. In addition, Canada has signed a Protocol to be discussed later in this section.

The Agreement was concerned with many commodities traded between Canada and the West Indies, but the products under review in this Reference were of major concern. The first paragraph of Schedule A of the Agreement, as enacted, established a preferential margin of \$1.00 per hundred pounds for sugar between 95° and 96° polarization imported under tariff item 135; other preferential margins were specified for higher or lower degrees of polarization. Schedule A of the Agreement also provided that refined sugar, or more specifically, sugar as defined under tariff item 134 as it was then worded, should receive a preference of not less than 25 per cent of the duty charged on foreign sugar.

These provisions of the Agreement were given effect by modifications to the terminology and rates of duty of tariff items 134 and 135 (now 13400-1 and 13500-1); the changes are given in detail in the Appendix to this report entitled "Tariff History". The Agreement is the historical basis for the \$1.00 per hundred pounds preference accorded to 96° raw sugar from other British countries besides the West Indies; Section 5 of the Act provided for the

extension of this preference to these countries.

The Agreement also provided, in Article I, that, with certain specified exceptions, including an exception for sugar which was the subject of special mention in Article II and Schedule A, goods the produce of the West Indies should not be subject to duties greater than 50 per cent of the duties imposed on similar goods under the General Tariff. This provision is given force in Canadian legislation by Section 9 of the Customs Tariff. Tariff items 13505-1, 13705-1, 14000-1 and 14005-1 come within the ambit of Section 9 in that they bear B.P. rates of duty greater than half the General rate and, as such, they include goods which, because of the Agreement, could be admitted from the West Indies at less than the B.P. rates set out in these tariff items. However, they do not appear to be of economic importance to the West Indies; in 1969, no goods from any West Indies country were entered under any of the four tariff items noted above.

A high-level Conference of representatives of Canada and of the West Indies took place in Ottawa, in July of 1966, which resulted in a Protocol to the Trade Agreement of 1925. The Protocol, among other determinations, agreed that the respective countries would work together to secure "an appropriate and effective price range under a new International Sugar Agreement"; the Protocol also established a Commonwealth Caribbean-Canada Trade and Economic Committee. After a number of meetings of this Committee the Chairmen issued a report which included the following sentences as Paragraph 5:

"Considerable attention was given to the problems faced by the Commonwealth Caribbean sugar producers in their sales of sugar to Canada. Canadian representatives offered, subject to the necessary international waivers, to extend to Commonwealth Caribbean countries and territories collectively a tariff-free quota for raw sugar, the quantity being equal to the average volume of Commonwealth Caribbean sales to Canada over the past five years. This was intended to provide an opportunity for them to maintain their traditional sales to the Canadian market and enhance the return to their producers. In addition, the Canadian representatives indicated their willingness to work towards an effective International Sugar Agreement with a price range that would yield a fair return to producers and would be equitable to consumers. The Canadian representatives indicated their expectation that the price benefits of the elimination of the need to pay the BP Tariff rate of 29¢ a cwt would accrue to Commonwealth Caribbean suppliers. It is not the intention of the Canadian authorities to allocate the tariff-free quota between Commonwealth Caribbean suppliers. Any arrangements in this regard would be for the Commonwealth Caribbean suppliers to work out among themselves."

The offer by Canadian representatives refers to a "Canadian Government Proposal on sugar" which had been submitted to the Trade Committee. The text of that Proposal follows:

"Canadian Government Proposal on Sugar"

"The Canadian Government proposal regarding raw sugar imports from the Commonwealth Caribbean countries and territories is to provide on a unilateral basis duty free entry for a quantity of raw sugar equal to the average of such imports for the last five years.

This would mean the abolition for such countries and territories only of the present British Preferential Tariff rate of approximately 29¢ a cwt. Any allocation of this tariff quota would be a matter for the Commonwealth Caribbean Governments.

This tariff quota would, of course, be a new tariff preference and could not therefore be implemented before a waiver was obtained from the no-new preference provisions of the GATT. Releases would also be required from the Australian, South African and United Kingdom Governments with whom Canada has trade agreements involving obligations concerning the Canadian tariff on raw sugar. The Canadian Government will be prepared to use its best endeavours with the Canadian sugar refiners to ensure that the amount of the tariff free quota is in fact taken up each year and that the full benefit of the additional margin of preference is received by the West Indian producers."

(Final Communiqué of the Commonwealth Caribbean - Canada Conference, July 6-8, 1966)

The intended direct beneficiaries of the proposed tariff-free quota were apparently the commercial suppliers of Caribbean sugar to Canada. For the quota volume of sugar the proposal would, in effect, increase the preferential margin from \$1.00 to \$1.29 per hundred pounds over M.F.N. sugar. The statement that Canadian representatives expected that the benefits "would accrue to Commonwealth Caribbean suppliers" suggests that, in the Canadian proposal, it was intended that the additional preferential margin of 29 cents per hundred pounds would accrue to Caribbean suppliers who would receive their traditional 75 cents per-hundred-pound-premium over the world price, plus the extra 29 cents, for a total premium of \$1.04 per hundred pounds.

Whether such a distribution of the margin would have been achieved in practice became academic because, owing to opposition from members of GATT, the proposal, in its original form, was not implemented. The Proposal, in modified form, finally took shape, in 1967, as a program under which amounts of money substantially equivalent to the duties collected in Canada on sugar received from the Commonwealth Caribbean were paid out each year to the Governments, instead of the commercial sugar suppliers, of the countries from which the sugar was exported; statements made at the public hearing indicated that at least some of this money was distributed to the commercial suppliers of sugar. (Vol. 6, p. 914). The volume of exports forming the basis for calculation was subject to the limit represented by the average Commonwealth Caribbean sales to Canada over the previous five years.

Under this program the following amounts of money were paid to the Commonwealth Caribbean Governments in the four years, 1967 to 1970.

1967	-	\$1,126,904.95
1968	-	1,148,259.63
1969	-	823,735.10
1970	-	262,496.04

This program did not have the effect of increasing the flow of sugar from the West Indies to Canada. Average production of sugar in the West Indies, in the three years 1967-69 was almost the same as the average in the five years, 1961-65, but exports to Canada declined sharply in 1967 and even more sharply, in 1969; average annual exports to Canada, 1967-69, were about one-half the quantity exported annually, 1961-65. In 1970, Canadian imports from the B.P. Caribbean fell to the lowest in several decades and totalled only 53,000 tons. Thus, the volume of eligible sugar was insufficient to fill the quota in the Canadian undertaking and, as exports declined sharply, the amounts paid to the Commonwealth Caribbean countries also declined. Although these countries could obtain \$1.04 per hundred pounds more from sales to Canada than from other sales in the free market, the higher prices available for sugar sold under the U.S. Sugar Act and the Negotiated Price Quotas were an even greater attraction.

Towards the end of 1969 an offer was made by Canada to the Commonwealth Caribbean countries to create a special agricultural development fund of \$5,000,000 to replace the program. At the moment, interim arrangements prevail and discussions with the Governments concerned are continuing.

Other Bi-lateral Agreements

Two additional bi-lateral agreements have been brought to the Board's attention as having a bearing on the importation of sugar into Canada. A Trade Agreement signed in 1960 between Canada and Australia continued the provisions of an earlier Agreement, in effect since August 1931; the latter had continued some of these provisions from an agreement effective in 1925. The 1925 Agreement extended British Preferential treatment to Australian sugar, for the first time and, in so far as tariff item 135 was concerned, bound the then existing margins of preference.

The 1931 Agreement provided, for Australian sugar entering Canada under tariff item 135 (now 13500-1)

"Sugar above No. 16 Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, when exceeding 98 degrees, but not exceeding 99 degrees polarization, per one hundred pounds ... 31.64 cts."

Canada also undertook to maintain at least the actual difference between this rate and the rates under the Intermediate and

General Tariffs. This concession, originally an extract from tariff item 135, was almost immediately extended to all British Preferential countries and was incorporated into the Customs Tariff as item 135b. In 1955, item 135b became part of item 135, at the rates contemplated by the 1931 Agreement. The 1960 Agreement renewed the concession and specified that the margin between the B.P. and M.F.N. rates should be \$1.15966 per hundred pounds (the existing margin). This provision of the agreement now appears as tariff item 13500-2. The specified rate and the margin of preference may be changed only after the consultative procedures noted in the Agreement. However, no other provisions for sugar or other products of this Reference are now bound to Australia.

A Trade Agreement between Canada and the Union of South Africa, in effect in 1933, is still in force. It bound the B.P. rates already applicable to South Africa and undertook that, on a range of products, largely agricultural, the then existing margins of preference would be maintained. The tariff items affected include all sugar and molasses items of this Reference. It is under these provisions of the 1933 trade agreement that Canada continues to apply the British Preferential Tariff to goods imported from the Republic of South Africa, even though it is no longer a member of the Commonwealth.

The Republic of South Africa is the only known non-Commonwealth country to which the benefits of the British Preferential tariffs on sugar and molasses are extended. It is also believed to be the only major sugar-producing country which, having the advantage of the B.P. tariff on sugar sold to Canada (and to the U.K.) lacks the advantage of access to the United Kingdom Negotiated Price Quota market. Because of this situation and because South Africa has only a small quota for the export of sugar to the United States, Canada has become a very important market for South African sugar. Since about 1963, Canada has been the principal premium-price market open to that country.

The General Agreements on Tariffs and Trade

Canadian commitments under GATT have had relatively little impact on the sugar industry. As reflected in the footnotes to the relevant items, GATT negotiations in 1948 resulted in the binding of the rates on sugar entering under tariff items 13400-1 and 13500-1 to levels no higher than those that existed in 1939 but this Agreement does not bind the nomenclature of the items. The effect of these commitments is that the nomenclature and rates can both be revised if to overall incidence of the duties is not affected. A GATT binding of the existing M.F.N. rate on certain cane molasses, as an extract of item 13600-1, has been in effect since 1950. One of the items in this Reference, item 13650-1, was enacted in 1968 as a result of Canadian tariff concessions in the Kennedy Round of GATT negotiations. The beet molasses, classified since January 1, 1968, under this tariff item, had previously been dutiable at the higher rates of tariff item 14000-1.

TARIFF CONSIDERATIONS

In what follows, the proposals relating to raw and refined sugar, that is, tariff items 13400-1, 13405-1, 13500-1, and drawback item 97050-1, are discussed. The proposals regarding molasses, syrups, invert sugar, molasses powder and shredded sugar cane are discussed in later sections of the report; these products are imported under tariff items 13505-1, 13600-1, 13650-1, 13700-1, 13705-1, 14000-1, and 14005-1.

All of the tariff items are shown, in full, in the appendix entitled, "Tariff History".

The two most important tariff items within the terms of this Reference are items 13400-1 and 13500-1. Item 13500-1 relates to the lighter-coloured sugars (above No. 16 Dutch standard) when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, and to all darker-coloured sugars, not above No. 16 Dutch standard (D.S.) in colour, regardless of the intended use; item 13400-1 covers all refined sugars and all sugars above No. 16 Dutch standard in colour, not covered by tariff item 13500-1, that is, other than those imported by a recognized refiner for refining purposes only. Raw sugars not exceeding No. 16 D.S. would ordinarily have to be refined to make them suitable for direct human consumption but they can be used without further refining for some industrial purposes.

Tariff items 13405-1 and drawback item 97050-1 both relate to sugar for use in the manufacture of wine. The former covers all sugars, including imported refined sugar, used in the manufacture of wine; the latter provides for drawback of duty paid on raw sugar imported other than under the General Tariff and used by a recognized sugar refinery in the production of refined sugar used in the manufacture of wine.

Table 50: Imports of Sugar and Sugar Products, by Tariff Item, 1968-70

	1968		1969		1970	
	<u>B.P.</u>	<u>M.F.N.</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>B.P.</u>	<u>M.F.N.</u>
			- thousand dollars			
13400-1	511	18	16	62	96	58
13405-1	-	613	-	119	18	703
13500-1 ^(a)	44,098	1,693	64,752	5,416	78,249	6,276
13505-1	10	-	10	2	2	-
13600-1	2,584	1,262	2,453	790	821	2,167
13650-1	-	-	-	24	-	169
13700-1	1,050	686	597	455	1,085	509
13705-1	-	46	-	40	-	21
14000-1	61	62	44	13	30	42
14005-1	-	-	-	-	-	-
Total	48,314	4,380	67,872	6,921	80,301	9,945

(a) Includes imports under 13500-2

Source: DBS

In terms of the value of imports, tariff item 13500-1 is by far the most important item within the terms of this Reference. The value of sugar imported by refiners for refining purposes, exceeds the total value of imports under all of the other items combined, by a very wide margin. In the three years, 1968-70, imports under item 13500-1 accounted for more than 90 per cent of the total value of imports under all of the tariff items within the terms of this Reference. Apart from tariff item 13500-1, only imports under the items relating to molasses (13600-1 and 13700-1) are of significant economic importance in most years. About 90 per cent of the total imports under the items within the terms of this Reference and 93 per cent of the imports under item 13500-1, were under the B.P. Tariff, in the three years, 1968-70.

Items 13400-1 and 13500-1 include long schedules of rates beginning with the rates of duty for sugars when not exceeding 76° in item 13500-1 and those not exceeding 88° in item 13400-1, and progressing by single degrees of polarization, to sugars exceeding 99° . As noted in an earlier section, the average polarization of sugars imported in 1969 was approximately 98.5° and only three of the 567 cargoes imported in the five years between 1965 and 1969 were less than 96° in average polarization, two of which were damaged cargoes. Moreover, all of the proposals for changes in the schedules of rates were based on equal differentials per degree of polarization throughout the proposed range below 96° and, therefore, the rates of polarizations below 96° can be readily calculated. Thus, it seems unnecessary to reproduce the long schedules of rates included in most of the proposals. The range of polarizations most important to this Reference is that from 96° and higher, and it is only this range which will be examined in what follows.

Tariff Items 13405-1 and 97050-1

Tariff item 13405-1, "Sugar for use in the manufacture of wine", bears rates of 1.09 cents, B.P., and 1.89 cents, M.F.N., per 100 pounds. These rates are exactly one per cent of the B.P. and M.F.N. rates for refined sugar exceeding 99° under item 13400-1 and are the lowest rates which apply to either raw or refined sugar.

The Canadian Wine Institute informed the Board that tariff item 13405-1 was quite satisfactory in its present form and urged that it be continued, without change, as a separate item. All others who made representations to the Board also indicated that they proposed no change in either the wording or the rates of duty under this item.

Canadian wineries used from 19 to 22 million pounds of raw sugar and from 6.8 to 9.2 million pounds of refined sugar, annually, between 1965 and 1969; in 1969, they used about 4.6 million pounds of invert sugar which is included with the refined sugar, above. The Canadian Wine Institute informed the Board that winery purchasing agents' specifications for raw sugar are for cane raws with a polarization of 98° or higher. The Institute spokesman said that member companies import raw sugar directly but purchase refined sugar from Canadian refiners; by virtue of the provisions of drawback item 97050-1 on these refined sugars, wineries are entitled to a drawback of 99 per cent of the duty paid on the raw sugar used in their production, provided that the raws were not imported under the General Tariff. (Vol. 8, p. 1401, 1402)

Apart from grapes and wine containers, sugar is the most important material used by wineries, from the standpoint of cost. Because prices of sugar vary greatly from year to year, the ratio of sugar costs to total material costs also varies greatly; in 1968, when sugar prices were low, sugar was about nine per cent of the total costs of materials, compared with 17 per cent of the total, in 1964, when prices of sugar were high.

Several briefs noted that no change was proposed for either the wording or the rates of duty of item 13405-1, but included no further comment regarding the item. The one brief which did comment on this subject was that of Atlantic Sugar. (Vol. 4, p. 499) The company noted that the Customs Tariff has provided for sugar used in the manufacture of wine, in various items, since 1931. The brief stated:

"This special concession to wineries having existed for thirty-eight years has no doubt been built into the economy of the industry to the extent that its discontinuance would be harmful. We submit however that any extension of the principle of giving selected industries access to practically duty free sugars is inconsistent with the general intent of the Customs Tariff on sugar." (Vol. 4, p. 499)

The Canadian Wine Institute also proposed that item 97050-1 be retained in its present form. (Vol. 8, p. 1401) The item is worded as follows:

"Raw sugar, imported other than under the General Tariff. When used by a recognized sugar refinery in the production of refined sugar used in the manufacture of wine.",

and provides for 99 per cent drawback of the duty payable.

There was no opposition to the proposal of the Institute respecting item 97050-1 and, apart from the comments of Atlantic Sugar, noted above, there was no discussion of the proposal.

There are no published data regarding the amounts of drawback of duty paid under the provisions of item 97050-1. However, Canadian wineries used between seven and nine million pounds of refined sugar, annually, in recent years and, presumably, wineries have claimed the drawback on the raw sugar used in their manufacture. Assuming the use of 97.5° M.F.N. raws, claims would have varied from about \$95,000 to \$130,000 annually, in the past five years. As explained in an earlier section Canadian refiners charge the same prices for refined sugar regardless of the origin of the raw sugar used. Therefore, there is an advantage to anyone entitled to drawback of duty to claim the so-called "long drawback", that is, on M.F.N. raws. By doing so, they can claim on the M.F.N. duty payable and, on 97.5° raws, would receive a drawback of \$1.34 per hundredweight used, instead of \$0.30 per hundredweight if the claim were based on B.P. raw sugar.

Although not directly related to items within the terms of Reference 146, C. & D. urged that the administration of the regulations under the Customs Act, which apply to drawback of duty on goods exported from Canada, should be changed to permit claims on a company basis

rather than on a plant basis. Such a change would allow C. & D. to supply B.P. sugar to industrial users from its Toronto refinery and to 'cover' claims of drawback under the M.F.N. Tariff, with M.F.N. sugar stored at its Montreal plant. Under the existing administration C. & D. would have to transfer M.F.N. sugar from Montreal to Toronto, to permit its customers to claim the long drawback. (Vol. 1, p. 129, 130, 131)

The Canadian Beekeepers' Council requested the "Removal or Draw-back of Tariff on Sugar -- when used for Bee Feed". (Vol. 8, p. 1395) The brief does not make clear what is intended by the reference to drawback, but the principal intent of the proposal appears to be for free entry or lower rates of duty on sugar used in feeding bees. The Council's brief noted that approximately six million pounds of sugar is fed to bees, annually, in the form of refined white sugar, liquid invert and "Drivert", a trade name for crystalline dextrose. The sugars are used to support bee colonies over winter and to stimulate their rapid development.

The Proposals Regarding Item 13400-1 and 13500-1

Proposals Regarding Nomenclature

The discussion of the proposals to the Board relating to the nomenclature of items 13400-1 and 13500-1 was almost entirely concerned with the provision of a substitute for the Dutch standard of sugar colour. This issue was complicated by the fact that, under the existing tariff items, sugars not exceeding No. 16 D.S. in colour can be imported only under tariff item 13500-1, whether or not for further refining.

Up to 1958, the Dutch standard consisted of a series of samples of sugars varying from very dark (No. 7) to almost colourless (No. 25); these provided a basic standard against which samples of raw sugar could be compared; the greater the content of impurities of the sample, the darker its colour and the lower the Dutch standard colour number. The Dutch standard was a somewhat subjective measure, in that it involved a comparison, by visual examination, of a sample of raw sugar with that of a standard sample, the Dutch standard. Also, the standard samples darkened with time and new standards had to be obtained, annually. Since 1959, Dutch standard samples have not been available, but the standard was considered to be an obsolete measure of the quality of raw cane sugar, long before that.

Although many hours of discussion were concerned with a variety of proposals regarding what level of contained sulphated ash would correspond to No. 16 D.S., the principal concern of the refiners was not with a colour standard, of itself, but with a means of ensuring that the lighter-coloured sugars would continue to be dutiable at the higher rates of item 13400-1 when not imported by refiners. The refiners believed that these lighter-coloured raw sugars would compete with sugar products sold by refiners for industrial use, if they could be imported at the lower rates which now apply to raw sugars imported for refining purposes only.

On the fourth day of the public hearing, the refiners generally agreed on the following wording for items 13400-1, 13405-1, and 13500-1:

- "Item 13500-1: Sugar when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister ...
- "Item 13405-1: Sugar, for use in the manufacture of wine ...
- "Item 13400-1: All sugars of whatever kinds, grades or standards not otherwise provided for ..." (Vol. 4, p. 579, 584)

Under the proposed wording, sugar not exceeding No. 16 D.S., when imported by non-refiners, would be entered under item 13400-1 instead of under item 13500-1, as at present and would be dutiable at the higher rates of duty which would apply to such imports under item 13400-1. No objections were raised by others, present at the public hearing, to the proposed deletion of references to the Dutch standard of colour nor to the proposed changes in the wording of items 13400-1 and 13500-1, but, as noted later, there was considerable disagreement in respect of the rates relating to these items.

A spokesman for Atlantic Sugar estimated that sales of raw sugars not exceeding No. 16 D.S., by refiners, amounted to about one million pounds annually (Vol. 4, p. 512, 567); apparently, this estimate was based on earlier statements by St. Lawrence that it was selling such quantities, annually, mainly for use in meat packing, canning and the manufacture of animal feeds. (Vol. 3, p. 341) The remarks of the Atlantic spokesman indicated that his company sold no raw sugar but C. & D. had stated, earlier, that it sold some darker raw sugars for tobacco processing, meat curing and feed manufacturing. (Vol. 1, p. 191, 195) None of the other refiners present at the hearing registered any disagreement with the estimate of one million pounds although this is obviously an understatement. However, even if the estimate were understated by one-half, the amount of sugar represented would be only two million pounds, or less than one-tenth of one per cent of the estimated total sugar consumption in Canada of 2,151 million pounds, in 1970.

If this were the extent of the potential threat to Canadian refiners, there would appear to be little reason for two tariff items both of which relate to raw sugar at levels of polarization not exceeding 99°, one for refiners and the other for 'non-refiners' excepting wineries. There would appear to be even less reason when it is taken into account that, with the exception of raw sugar used in the manufacture of wine, refiners act as middlemen in transactions involving the sale of raw sugar not exceeding No. 16 D.S.; though they store, bag and handle these sugars, the sugars undergo no refining. Refiners also act as middlemen in any sales of lighter-coloured raws, including semi-refined sugars such as plantation whites, but sales of such higher quality raws to industrial users other than wineries appear to be negligible or non-existent.

The subject of the nomenclature of items 13400-1 and 13500-1 will be discussed further, in connection with the rate proposals.

Rate Proposals for Tariff Items 13400-1 and 13500-1

The rates proposed for tariff items 13400-1 and 13500-1 are related to the wording proposed for these items; because item 13500-1 covers the principal raw material of the sugar of item 13400-1, there is also a relationship between the rates of duty under the two items.

Four main groups of interests submitted rate proposals to the Board, relative to the two items: Canadian refiners of cane sugar, Canadian beet sugar factories and producers of sugar beets, Canadian consumers of sugar, and suppliers of cane sugar to Canada; the submission of Mr. R.W.M. Austin is difficult to categorize and is dealt with separately.

As noted, many of the proposals included long schedules of rates, but only the rates applicable to polarizations of 96° and higher will be shown; and, because there appeared to be general agreement on the wording of items 13400-1 and 13500-1, the agreed wording will not be repeated in each proposal. For convenience, item 13400-1 will sometimes be designated as that which covers refined sugar and item 13500-1, as that which covers raw sugar; although these designations are not precise, they avoid the continuous repetition of the wording given earlier in this section. Also, because it is easier to assess the rates proposed for refined sugar in relation to the rates proposed for raw sugar, item 13500-1 will be treated before item 13400-1.

Rate Proposals for Item 13500-1

The cane sugar refiners, with the exception of B.C. Sugar, proposed free entry or low rates for raw sugar under the B.P. Tariff and varying rates under the M.F.N. Tariff. B.C. Sugar, the beet sugar factories, the sugar beet producers and the farm organizations, all urged the retention of the existing rates of duty under item 13500-1. The proposals for rates different from those of the existing tariff are tabulated below.

	Polarization in Degrees				
	<u>96°</u>	<u>97°</u>	<u>98°</u>	<u>99°</u>	<u>Over 99°</u>
	B.P. rate in cents per 100 lb.				
<u>Proposed by:</u>					
Atlantic	0	0	0	0	109
C. & D.	0	0	0	0	109
Cartier	0	0	0	0	109
St. Lawrence	4.6	4.7	4.8	4.9	5.0
Existing rate	28.712	29.688	30.664	31.64	35.606
	M.F.N. & General rates in cents per 100 lb.				
Atlantic	60.0	61.0	62.0	63.0	189
C. & D.	100	102.567	105.134	115.966	189
Cartier	75	75	75	75	189
St. Lawrence	78.2	79.9	81.6	83.3	85.0
Existing rate	128.712	132.255	135.798	147.606	147.606

The B.P. rates proposed by Atlantic, C. & D., and Cartier, for sugar for refining exceeding 99⁰, are the existing B.P. rates for refined sugar of this polarization under item 13400-1 and also, the rates which these companies proposed for refined sugar under item 13400-1. The M.F.N. rates proposed by Atlantic, C. & D., and Cartier, for sugars not exceeding 99⁰, differed considerably, as the table indicates. The retention of the existing B.P. and M.F.N. rates was proposed by B.C. Sugar, by its subsidiary beet sugar companies, Canadian Sugar Factories Limited and The Manitoba Sugar Company Limited, by the Raffinerie de Sucre de Québec, by the Canadian Sugar Beet Producers' Association, and by the Union Catholique des Cultivateurs.

St. Lawrence Sugar's rate proposals were based on the formula "available sucrose is equal to 2P-100"; for a change of one per cent in the available sucrose, the company proposed a change of .05¢ in the B.P. rate and of .85¢ in the M.F.N. rate, the rates at 100⁰ polarization being five cents, B.P., and 85 cents, M.F.N. and General, per 100 pounds. (Vol. 2, p. 314, 315, 319)

Unlike the proposals of others, that of Cartier involved no progression in M.F.N. rates for raw sugars not exceeding 99⁰; the company proposed rates of Free, B.P. and 75 cents, M.F.N., per 100 pounds, for all sugar not exceeding 99⁰ polarization. (Vol. 3, p. 435)

Canadian consumers' interests were represented at the public hearing by the Canadian Industrial Sugar Users, on behalf of the principal manufacturers of sugar-containing products and by the Consumers' Association of Canada, which represented the interests of non-industrial Canadian consumers. The Industrial Sugar Users urged duty-free entry into Canada, for sugars and syrups, under all Tariffs. The Consumers' Association of Canada proposed free entry for raw sugar under the B.P. Tariff and a reduction in the M.F.N. rate "so as to give the original West Indian and other Commonwealth producers the same effective margin of preference" on raw sugar "that they now enjoy...". (Vol. 9, p. 1618, 1619) In answer to questions, the spokesmen for the Association indicated that the group had in mind a reduction of the existing M.F.N. rates on raw sugar to about 15¢ or 25¢ per 100 pounds. (Vol. 9, p. 1635)

The suppliers of B.P. raw sugar to Canada were unanimous in proposing that no change should be made in the British preferential margin in the rates of duty under item 13500-1 and some said that the margin should be made larger. The West Indies Sugar Association (Inc.) was concerned that the B.P. rates not be reduced, because the duty collected by Canada on imports from the West Indies is the basis for grants to these countries. (Vol. 6, p. 877, 878) However, its spokesman agreed that he would have no objection to free entry under the B.P. Tariff if the amount of aid were not affected. (Vol. 6, p. 969). All other B.P. suppliers were concerned only with the margin of British preference. Mauritius, The Queensland Sugar Board (on behalf of the Australian sugar industry), the Colonial Sugar Refining Co. (on behalf of the Fiji Sugar Industry), the Swaziland Sugar Association, the South African Sugar Association, and the Uganda Sugar Manufacturers Association, all urged that the existing British preferential margin in the rates of duty for raw sugar, under proposed item 13500-1, should not be lessened and, preferably, should be made larger. (Vol. 6, p. 981; Vol. 7, p. 1050, 1122, 1156, 1189; Vol. 8, p. 1205)

Cuba urged that it, and other M.F.N. suppliers, be given greater opportunity of access to the Canadian market for raw sugar by changes in tariff item 13500-1. The gist of the Cuban presentation, in its brief and in answer to questions, was that the British preferential margin under item 13500-1 should be eliminated or decreased; the Cuban spokesman also urged that the existing 'jump' in M.F.N. rates, for raw sugar exceeding 98^o, should be eliminated so that M.F.N. supplies of higher polarization sugars would not be discouraged from being imported. (Vol. 8, p. 1265, 1274) Atlantic Sugar and St. Lawrence supported the latter proposal (Vol. 8, p. 1291, 1335) as, in effect, did Cartier, by its rate proposals.

R.W.M. Austin proposed that Canada adopt a "National Sugar Policy" whose principal features would be similar in many respects to the provisions of the U.S. Sugar Act. It would require the elimination of all existing duties on sugar and its products and the introduction of a system of import quotas for raw sugar based on estimates of probable consumption. These quotas would be established in bilateral agreements with certain less-developed countries "on an equitable basis", that is, at premium prices relative to those of free market sugar. He also proposed that encouragement be given to domestic sugar beet production to achieve the maximum of 20 per cent of domestic consumption permitted under the I.S.A. and the establishment of small refineries capable of processing both sugar beets and raw cane sugar at several locations across Canada. Mr. Austin's proposals are largely beyond the terms of Reference 146; the establishment of the National Policy visualized by Mr. Austin would require much broader terms of reference than has been given the Board for this investigation.

Rate Proposals for Item 13400-1

The proposed rates of duty for the new item 13400-1, essentially refined sugar, were less varied than those proposed for raw sugar for refining purposes. With the exception of St. Lawrence Sugar, all of the cane refiners proposed that there be no change in the existing rates of duty. The beet sugar factories, the beet sugar producers and the farm organizations, also urged that the existing rates remain unchanged. All of the above proposals would retain the present schedule of rates according to the polarization of the sugar. The submission of St. Lawrence Sugar differed from the above in that the company proposed rates of \$1.09, B.P., and \$1.62, M.F.N., per 100 pounds, for all sugars entered under item 13400-1, regardless of polarization. (Vol. 2, p. 321)

The Canadian Industrial Sugar Users urged free entry for sugar under all tariff items relevant to this Reference and, thus, for sugar imported under item 13400-1. The Consumers' Association of Canada requested the Board to give most serious consideration to substantial reductions in the refined sugar duties and urged that the rates be reduced so as to ensure that the effective protection of Canadian refiners should not be increased as a consequence of any reduction in the rates of duty on raw sugar. (Vol. 9, p. 1618, 1619)

No other rate proposals respecting item 13400-1 were submitted to the Board. The representatives of the sugar industries of a large group of supplying countries, who were present at the public hearing, noted, generally, that they were concerned mainly with the tariff items which might affect Canadian imports of raw cane sugar. Although they took part in the discussions, they made no formal proposals.

Although the Canada Starch Company Limited did not submit a formal brief to the Board, in a letter dated December 17, 1969, the company proposed that,

"If duties are lowered or removed on refined cane sugar they should be lowered or removed on corn sugar.

"If duties are lowered or removed on raw cane sugar they should be lowered or removed on our raw material corn."

Because the tariff items involved in the proposals of the company are outside the terms of Reference 146, they are not dealt with in what follows.

Analysis of Proposals for Items 13400-1 and 13500-1

The suggested wording for items 13400-1 and 13500-1 which was generally accepted by the various interests, would create two tariff items for sugar, one of which would cover sugar imported by a recognized refiner, for refining purposes only and the other, sugar imported by all others, excepting wineries. The new wording would include no reference to the obsolete Dutch standard nor any reference to an alternative standard based, for example, on the sulphated ash content of the sugar.

The proposals involving changes in the rates of duty under either of the two items would affect the "net protection" of Canadian refiners and the preferential margin; as noted later, the rates proposed for raw sugar exceeding 99° could have serious effects on the suppliers of high polarization sugars. The proposed change in the wording of the items would, of course, affect the rates at which sugar not exceeding No. 16 D.S. is dutiable. When imported by others than refiners, such sugar is now entered at the same rates as when imported by a recognized refiner; under the proposed change in wording, these darker sugars would be dutiable at the higher rates of proposed item 13400-1. The result would be that the B.P. rates which apply to such sugars would be increased by almost $2\frac{1}{2}$ times when purchased by others. It is unlikely that raws of M.F.N. origin would be purchased by an industrial user unless they were to be subject to drawback.

Under the existing B.P. rates of items 13400-1 and 13500-1, industrial users can save a maximum of 77.36 cents per 100 pounds, in duty, on purchases of raw sugars not exceeding No. 16 D.S. from a refiner; this is the difference in the B.P. rates under the two items for sugar over 98° but not over 99°. However, the rates proposed for the two items, by all cane refiners except B.C. Sugar, would increase the difference in duty by a substantial amount. Assuming free entry for B.P. sugar under item 13500-1, the difference in duty, for sugar of 98.5° polarization, under items 13400-1 and 13500-1, would vary, per 100 pounds, from approximately \$1.04 (the St. Lawrence proposals) to \$1.09 (the proposals of Atlantic, C. & D. and Cartier).

Because raw sugar is a relatively cheap product, manufacturers would probably continue to use it but would have to pay some 75¢ more per 100 pounds because of the revised wording and rates proposed for the two items -- and without any consequent benefits to refiners. It seems probable that the total annual use does not exceed two million pounds and, therefore, it is almost certain that users would continue to obtain their supplies of raw sugar from refiners. The smallest cargo reported to the Board in the five years, 1965-69, was about 3,000 tons or at least three times the annual quantity of raw sugar that was said to be sold by refiners to industrial users.

B.C. Sugar, the Raffinerie de Sucre de Québec, together with the sugar beet producers and their supporters, proposed the retention of the existing rates for both items 13400-1 and 13500-1 and, therefore, no change in the protection available to refiners nor in the British preferential margin. However, all of the other refiners requested lower B.P. rates of duty for sugar not exceeding 99°, when imported by recognized refiners. Because B.P. raws represent more than 90 per cent of the total imports of raw sugar for refining, the

effect of their proposals would be to increase the net protection available to refiners, significantly. Moreover, in so far as the existing preferential premium at 96° polarization, of approximately 75 cents per 100 pounds, almost certainly exceeds such preferential premium as might be established by the interplay of market forces alone, any proposed reduction in the British preferential margins for item 13500-1 would also result in some lowering of the prices paid for raw sugar and, therefore, in a further improvement in the position of Canadian refiners.

The increase in the B.P. rate for raw sugars exceeding 99° proposed by Atlantic, C. & D. and Cartier, would place a clearly prohibitive duty on imports of B.P. sugar of such polarizations. Under the existing B.P. rates of item 13500-1, sugar exceeding 98° but not exceeding 99° is dutiable at 31.64 cents and sugar exceeding 99° is dutiable at 35.606 cents, per 100 pounds; the additional duty for the sugar exceeding 99° is 3.966 cents per 100 pounds. Under the proposals of Atlantic, C. & D., and Cartier, the corresponding B.P. rates would be Free, for sugar exceeding 98° but not exceeding 99° and \$1.09 for sugar exceeding 99°, per 100 pounds. The additional duty of \$1.09 per hundredweight for sugar exceeding 99° would prevent the importation of these high polarization sugars even though the proposed tariff item would apply to sugar imported by a recognized refiner, for refining purposes only.

As noted earlier, the contracts used by Canadian refiners, when purchasing raw sugar, provide that the additional duty on sugar exceeding 99° will be payable by the seller. At present, this proviso involves a penalty of approximately four cents a hundred pounds; under the proposed change in rates, the penalty would increase to \$1.09 per hundred pounds and would be extremely high. The discussion at the public hearing indicated that the polarization of a cargo of sugar may increase in the course of a long sea voyage and a polarization exceeding 99° could result from delays completely beyond the control of the seller, between the time of loading and of unloading a cargo. However, if the usual form of contract were in effect, the additional duty of \$1.09 per 100 pounds, would be payable by the seller. On a cargo of 15,000 tons, a frequent size shipped from Australia and South Africa, the penalty to the seller would amount to \$327,000.

The result of the very large proposed increment in duty, for sugars exceeding 99° and the possible very large penalty which could result from their sale, would cause sellers to take every precaution not even to approach the limit and thereby, would deprive some Canadian refiners of access to high quality raws. Also, as the relative importance of soft sugars continues to decline, Canadian refiners will probably require higher polarization raws than they have in the past.

The St. Lawrence spokesman commented on this subject, saying:

"We do not want raws exceeding 99° Pol. as they create problems in the manufacture of brown sugar. The tariff increment at this level is a convenient weapon to discourage them, but it does seem that we are using the tariff for a purpose for which it was not intended. It would be more logical to specify a Pol. limit in our purchase contracts and have a tariff scale based directly on available sucrose." (Vol. 2, p. 315)

The net effect of the refiners' proposals respecting the rates of duty under items 13400-1 and 13500-1 is shown in table 51, which follows. The B.P. rates of duty for raw sugar are used for these comparisons. M.F.N. raws are imported under item 13500-1 mainly to permit the "long drawback" of duty by exporters of sugar-containing products and by refiners exporting refined sugar; almost all of the raw sugar used by refiners for the production of refined products consumed in Canada is entered under the B.P. Tariff. The table shows the net effect of the proposals relative to both the B.P. and M.F.N. rates on refined sugar, however, the significant comparison involves the rates proposed for B.P. raws and M.F.N. refined. C. & D., discussing the same subject, concluded that "the M.F.N. rate ... is a suitable figure for the calculation." (Vol. 1, p. 67) and St. Lawrence Sugar, in the same context, said, "Under present conditions the most likely of the above combinations is M.F.N. refined competing with domestic refined from B.P. raws ..." (Vol. 2, p. 321)

However, the best evidence that only M.F.N. countries might offer substantial competition to Canadian refiners is in the reassurances given by the spokesmen for B.P. countries which have refineries capable of producing high quality refined sugar. The statements of the spokesman for Colonial Sugar Refining, which controls exports of refined sugar from Australia and New Zealand (Vol. 3, p. 412, 413; Vol. 5, p. 678; Vol. 7, p. 1096, 1097), the representatives of Swaziland and South Africa, (Vol. 7, p. 1175; Vol. 8, p. 1212), and of the vice-president of Tate and Lyle, by far the largest British refiner (Vol. 8, p. 1305, 1306), made it clear that Canadian refiners need have no concern regarding substantial exports of refined sugar to Canada from their territories. Indeed, even the spokesman for Cuba, the country usually regarded as being the most probable source of exports of refined sugar to Canada, joined in these reassurances. (Vol. 8, p. 1281)

Table 51: Effect of Rate Proposals for Tariff Items 13400-1 and 13500-1 on Apparent Net Protection of Canadian Refiners

	Existing Items ^(a)	Proposed by:			
		Atlantic	C. & D.	Cartier	St. Lawrence
		-	-	cents per 100 lbs.	-
Refined, B.P. ^(b)	109	109	109	109	109
98.5° Raws, B.P. ^(c)	<u>31.64</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4.9</u>
Net protection	77.36	109	109	109	104.1
Refined, M.F.N. ^(b)	189	189	189	189	162
98.5 Raws, B.P. ^(c)	<u>31.64</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4.9</u>
Net protection	157.36	189	189	189	157.1

(a) Retention of existing rates proposed by B.C. Sugar, Raffinerie de Sucre de Québec, Canadian Sugar Beet Producers' Association and Union Catholique des Cultivateurs

(b) Rates proposed for item 13400-1

(c) Rates proposed for item 13500-1

More than 75 per cent of the cargoes and probably more than 80 per cent of the quantity of the raw sugar imported by Canadian refiners in 1969, ranged between 98° and 99° polarization; an even larger percentage than this would have been in this range in 1970 and 1971, because of the decline in imports of the lower polarization, B.P. Caribbean raws. Thus, the 98.5° raws used in the table are representative of a very large proportion of the raw sugars actually used by Canadian refiners. As is clear from the table, the effect of most of the refiners' rate proposals would increase their apparent net protection, substantially; the proposals of B.C. Sugar in both areas of the table and those of St. Lawrence relative to M.F.N. refined would leave the net protection essentially unchanged.

A comparison of the rates proposed by the refiners for sugars not exceeding 99° but above No. 16 D.S., shows a similar pattern. Under the existing tariff items, 98.5° raws above No. 16 D.S. are dutiable at 31.64 cents per 100 pounds, B.P., when imported by a recognized refiner under item 13500-1 and at \$1.09, B.P., when imported by others, under item 13400-1. The resulting protection to the refiners is 77.36 cents per 100 pounds. In most refiners' proposals the corresponding B.P. rates would be Free under item 13500-1 and \$1.09 under item 13400-1, with a resulting increase in the refiners' protection from 77.36 cents per 100 pounds to the 109 cents per 100 pounds of their proposals. The refiners did not indicate why they required additional protection against imports of raw sugar although their discussions suggested that there were no imports of such sugars by non-refiners even under the existing lower rates.

The proposals of the Industrial Sugar Users for free entry under items 13400-1 and 13500-1 would have an opposite effect on the refiners' net protection. Under the existing rates for these items, the net protection on refined sugars, as calculated in the above table, amounts to \$1.5736 per hundredweight, using the B.P. rate for 98.5° raws under item 13500-1 and the M.F.N. rate for sugar exceeding 99° under item 13400-1. In the proposals of the Industrial Sugar Users, the net protection would be nought.

It is more difficult to assess the effects of the changes proposed by the Consumers' Association of Canada. The Association proposed free entry for raw sugar under the B.P. Tariff and urged that the rates of duty on refined sugar be reduced so as to ensure that there was no consequential increase in the effective protection of Canadian refiners. Under the existing items and rates for sugar and its products, the effective rate of protection of Canadian refiners appears to have been relatively high, in 1969; had refiners been able to acquire raw cane sugar free of duty under the B.P. Tariff and had they not reduced their prices of refined sugar correspondingly, the effective rate of protection would have been even higher.

The raw sugars imported in 1969 had an average polarization of 98.46° and would have been dutiable at 31.64 cents per 100 pounds under the existing B.P. Tariff; on the amount of 98.46° raw sugar required to produce 100 pounds of refined sugar, the duty would have been approximately 33 cents. Thus, the elimination of the duty on

B.P. raws would have required a corresponding reduction in the existing rates of duty on refined sugar from \$1.89 to \$1.56, M.F.N. and from \$1.09 to \$0.76, B.P., per 100 pounds, if the effective protection of the refiners were to remain unchanged.

Effective protection is discussed again, later in the report.

The proposals of all B.P. suppliers that the existing preferential margins in the rates of item 13500-1 not be narrowed would result in a minimum M.F.N. duty for 96° raws of \$1.00 per hundredweight and appropriate differentials for raws of both higher and lower polarization; as noted, the West Indies Sugar Association opposed any decrease in the existing B.P. rates under this item unless the Canadian grants to the West Indies, based on imports from these countries, were unaffected. If the preferential margin remained unchanged, the position of Cuban and other M.F.N. suppliers would also be unchanged in respect of increased access to the Canadian market; Cuba urged the Board to eliminate or reduce the preferential margin to permit easier access for M.F.N. suppliers.

Although the countries supplying raw sugar made no requests for preferential treatment for their higher polarization sugars, some were deeply concerned regarding the proposed increases in rates of duty for sugar exceeding 99° polarization. The spokesman for Mauritius referred to the proposal of Atlantic Sugar that B.P. raws exceeding 99° should be dutiable at \$1.09 instead of 35.606 cents per 100 pounds, as at present, saying:

"The second point is in connection with the suggestion made by Atlantic Sugar Refinery for increasing the ... penalty on the importation of raw sugar in excess of 99 degrees polarization. The duty is already high ... but there is the suggestion it should be further increased so as to make it comparable to refined sugar because it is so near refined sugar.

"This would be prejudicial to us in Mauritius ... by tradition we have manufactured high pol. sugar ... and since our sugar has to travel for about four weeks ... it can be that in transit the sugar dries up and increases in polarization. Therefore, it might well leave Mauritius, say, at 98.8, which is about the average of what we normally manufacture, and arrive here in excess of 99 per cent ... I would therefore submit ... that the duty which is now in force has sufficiently fulfilled its purpose by preventing the deliberate shipment of sugar exceeding 99 and it does not appear necessary further to increase that duty, which I call a penalty because it has to be paid for by the seller ... in view of the rare occurrences and in view of the difficulties which it might on occasion cause us." (Vol. 6, p. 994, 995)

The Uganda sugar industry also expressed concern regarding the proposals which would place a heavy penalty on B.P. sugars exceeding 99° polarization. The Uganda brief noted that:

"At present the difference in duty for white sugar between 98° and 99° Polarisation, imported into Canada for refining purposes, and sugar polarising above 99° is 4¢ per 100 lbs. The proposals of these refiners are that sugar from Commonwealth countries (B.P.) should be duty free if its polarisation does not exceed 99°, but that there should be a duty of \$1.09 per 100 lbs. for sugar polarising above 99°.

"Our industry depends on producing Plantation White Crystal Sugar and we have recently begun to export this sugar (which has a polarisation of about 99.7°) to your country; this year we will have shipped a total of about 25,000 tons to Canada. If the proposals made by the refiners are accepted it will be a severe blow to our export hopes for your market.

"We consider that sugar imported or bought in bond in Canada by a recognised sugar refiner for refining purposes only should be admitted at the same rate of duty as lower polarisation sugar. We appreciate that the refining industry must be protected and that white sugar imported into Canada for direct consumption should be controlled by duties, but if white sugar is imported with a guarantee that it will be refined by a recognized sugar refiner, then it should, in our opinion, not pay a duty different from sugar of lower polarisation.

"We therefore propose that the opening paragraph of Tariff item 13500/1 should read:

'Sugar imported or purchased in bond in Canada by a recognised sugar refiner, for refining purposes only, under Regulations by the Minister ...'

whereby all sugar from Commonwealth Suppliers (B.P.) irrespective of polarisation can be imported duty free."

REPRESENTATIONS

The various companies, associations and government agencies which made representations to the Board, supported their proposals for the wording and rates of duty of items 13400-1 and 13500-1 with a considerable amount of supporting data and arguments. Inevitably, those who held similar views tended to use similar arguments in support of their position. In what follows, the gist of the principal arguments used in the support of the various proposals is listed. Because of the general similarity of their positions, the following submissions have been grouped: Canadian cane sugar refiners, except B.C. Sugar; B.C. Sugar, La Raffinerie de Sucre de Québec, the Canadian Sugar Beet Producers' Association, the Union Catholique des Cultivateurs; suppliers of B.P. sugar to Canada; Cuba; and Canadian consumers of sugar (both industrial and other).

Submissions of Canadian Cane Refiners

Although their proposals differed in some respects, the general position of eastern Canadian cane refiners was that B.P. raws should be entered free of duty or at much lower rates than at present, when imported for refining purposes only; that the British preferential margin of the rates under item 13500-1 should be narrowed; and that the rates of duty for refined sugar, under item 13400-1 should remain essentially unchanged.

In support of their proposals regarding raw sugar, the refiners presented the following arguments:

1. It has become difficult to secure all of the B.P. raws required by Canadian refiners, particularly from B.P. Caribbean countries, because Canada is becoming the fourth most attractive market to B.P. suppliers, whereas it once was the second most attractive. (Vol. 1, p. 55, 89; Vol. 2, p. 317; Vol. 3, p. 379, 395)
2. Because of the provisions of the Commonwealth Sugar Agreement, the U.S. Sugar Act and the quotas on exports of the International Sugar Agreement, all of which affect the supplies available from B.P. exporting countries, it will become increasingly difficult for Canada to procure its requirements of B.P. raws. (Vol. 1, p. 69; Vol. 3, p. 383, 433)
3. As the bargaining position of B.P. exporters improves, they are likely to demand a larger part of the existing preferential margin under item 13500-1. (Vol. 1, p. 69; Vol. 2, p. 215; Vol. 3, p. 387)
4. Thus, whether Canadian refiners continue to buy raw sugar from B.P. countries or buy it from alternative M.F.N. suppliers, the costs to Canadian refiners will increase. (Vol. 1, p. 102-105; Vol. 3, p. 390)
5. Increases in Canadian refiners' costs of raw sugar would result in commensurate increases in prices of refined

sugar and its products; this would affect the position of industrial users of sugar in competing with imported sugar-containing products in the domestic market and would make it increasingly difficult for industrial users to export sugar-containing products. A decrease of the B.P. rates for raw sugar would tend to offset these higher costs and moderate the price increases for refined sugar. (Vol. 3, p. 434; Vol. 4, p. 478)

6. Increases in Canadian prices of refined sugar would also tend to reduce sales of direct consumption sugar in Canada, contrary to the intent of the I.S.A.

Canadian refiners' requests for reducing the B.P. rates for raw sugar, for refining purposes only, were based mainly on the above arguments. However, although they all proposed that the preferential margin in the rates of duty should remain fairly substantial, the margins proposed varied from the 60 cents per 100 pounds at 96° (Atlantic) to the existing margin of \$1.00 per 100 pounds at 96° (C. & D.).

C. & D. claimed that any reduction in the preferential premium paid by Canadian refiners would make Canada less attractive to some B.P. suppliers (Vol. 1, p. 98, 99) and concluded "that any change in the customs tariff that can force us to buy foreign sugar must result in higher prices than paid under the present relationship between Preferential and Full-Duty rates. Neither do we foresee any measure of supply security ... if preferences are reduced or eliminated." (Vol. 1, p. 104)

St. Lawrence stated that, if the International Sugar Agreement achieves its objectives, it will probably result in some increase in raw prices and a reduction in the available supplies of B.P. raws. It urged that any changes in the Canadian tariffs should enable Canadian refiners to broaden the sources of their supplies and, by lowering the rates on raw sugar, should alleviate the expected resulting increase in the cost of refined sugar to Canadian consumers. The company proposed a reduction of the preferential margin for 96° raws, from \$1.00 to 73.6 cents, per 100 pounds. (Vol. 2, p. 316-319)

In its brief, Cartier Sugar noted that 75 cents per 100 pounds "is not only the customary but also the necessary attraction," for B.P. suppliers of raw sugar. The company urged the reduction of the preferential margin from the existing levels to 75 cents per 100 pounds for all raw sugars not exceeding 99°, on the grounds that, in the event that adequate supplies of B.P. raw sugar were not available, the company could purchase from any exporting member of the I.S.A. without increasing the cost of its raws. (Vol. 3, p. 423) The brief of Cartier, like that of St. Lawrence, appeared to assume that the full preferential margin it proposed would be paid to B.P. exporters and not 75 per cent of the margin, as at present, but this was far from clear in the discussions at the public hearing. (Vol. 4, p. 478)

Atlantic Sugar proposed a preferential margin of 60 cents per 100 pounds of raw sugar, at 96°. The Company noted that the existing B.P. duty of about 29 cents, in conjunction with the preferential premium of 75 cents per 100 pounds of 96° raws, effectively

raises the price of refined sugar by more than \$1.00 per hundred-weight and claimed that a reduction of the B.P. rate would result in lower prices of refined sugar. (Vol. 4, p. 488, 523)

The refiners conceded that the rates which they were proposing for item 13400-1 (refined sugar) and item 13500-1 (raw sugar) would increase the net protection which is available to them under the existing rates for these items. However, they claimed that their industry now has less protection than that of virtually any other developed country and the additional protection was required in order to preserve the Canadian refining industry. Their principal representations, in this respect, were as follows:

1. Canadian refiners supply Canadian consumers with sugar of extremely high quality, in a variety of forms and packages, at reasonable prices. (Vol. 1, p. 54; Vol. 4, p. 483)
2. The Canadian market is vulnerable to the competition of foreign refined sugar because of the very small net protection on refined sugar. (Vol. 1, p. 61, 62; Vol. 2, p. 299; Vol. 3, p. 402, 424; Vol. 4, p. 496)
3. The Canadian industry has been seriously threatened in the past by imports of refined sugar, and its vulnerability may again attract large quantities of foreign refined sugar. (Vol. 1, p. 62; Vol. 3, p. 425, 454; Vol. 4, p. 493, 518)
4. The existing anti-dumping legislation may not be a sufficient safeguard against imports of refined sugar sold at distress prices, because of the need to prove that imports had caused material injury to Canadian refiners. (Vol. 1, p. 62, 79; Vol. 4, p. 543)
5. In view of the vulnerability of the position of Canadian refiners, additional protection is required by the industry; the additional net protection requested is small and would still be considerably less than that afforded to refiners in most other developed countries. (Vol. 1, p. 79; Vol. 4, p. 506, 509)

Submissions of Beet Sugar and Sugar Beet Interests

The representations to the Board by those with interests in beet sugar and sugar beets, included submissions by B.C. Sugar, La Raffinerie de Sucre de Québec, the Canadian Sugar Beet Producers' Association and the Union Catholique des Cultivateurs. Although The British Columbia Sugar Refining Company Limited (B.C. Sugar) operates a cane sugar refinery at Vancouver, its two subsidiary companies, Canadian Sugar Factories Limited and The Manitoba Sugar Company Limited, operate beet sugar factories at Picture Butte and Taber, Alberta, and at Fort Garry (a suburb of Winnipeg), Manitoba; B.C. Sugar's submission was made on behalf of both its cane and beet sugar interests and is included here because the viewpoints presented are similar to the submissions of other beet sugar and sugar beet interests. The spokesman for the company stated that if he were not representing the beet sugar interests of his company, his presentation

would be different and he would be interested mainly in the difference between the rates on raw and refined sugar. (Vol. 5, p. 694)

The sugar beet producers and the beet sugar factories supported their proposals, generally, as follows:

1. The production of sugar beets provides a very important addition to the income of the approximately 2,500 farms which produce them; the purchases of materials used in the production of sugar beets and the employment generated directly and indirectly, have an important and desirable effect on the economy of the areas where sugar beet production is concentrated. (Vol. 4, p. 600; Vol. 5, p. 727, 767)
2. Because the returns to producers are directly affected by prices of cane sugar and, therefore, by the tariffs on raw and refined sugar, any reduction in the rates of duty of either of these would have a direct effect on sugar beet producers and on beet sugar production. (Vol. 4, p. 615; Vol. 5, p. 762)
3. A significant reduction in the rates of duty on sugar would result in the elimination of the sugar beet industry in Canada and the benefits associated with it. (Vol. 4, p. 601, 602; Vol. 5, p. 765)
4. Canadian consumers already enjoy the benefits of very cheap sugar relative to other countries and a further reduction in consumer prices arising out of lower tariff rates would not benefit them greatly but would be disastrous for the sugar beet industry. (Vol. 5, p. 763; Vol. 6, p. 812)

As in the case of the submissions of other groups, there were also some differences in the views of those interested in sugar beets. The principal concern of B.C. Sugar and, to a degree, the Alberta and Manitoba sugar beet growers, was in respect of the continuation of the existing rates of duty on raw and refined sugar. La Raffinerie de Sucre de Québec was concerned also with the effects of proposed changes in rates on its plans for modernizing and expanding its plant. (Vol. 5, p. 725) The Union Catholique des Cultivateurs felt that the existing protection was insufficient (Vol. 6, p. 812) and that the smallness of the Canadian tariffs had created dangerous dependence on distant, foreign sources of supply. (Vol. 6, p. 811, 817)

Submissions of B.P. Suppliers

The B.P. suppliers of raw sugar to the Canadian market, who made representations to the Board, included:

The West Indies Sugar Association (Inc.)
 The Queensland Sugar Board (for Australia)
 Colonial Sugar Refining Co. Ltd. (for Fiji)
 Mauritius
 Swaziland Sugar Association

Uganda Sugar Manufacturers Association
South African Sugar Association

Except for Australia and the Republic of South Africa, the countries represented on the list are regarded by the United Nations as developing countries, a factor which, in some presentations, resulted in some differences in the submissions. However, the principal arguments presented in support of the B.P. suppliers' proposals were as follows:

1. The existence of the British preferential margin in the rates under item 13500-1 has assured Canadian refiners of adequate supplies of high-quality raw sugars over a very long period of time. (Vol. 6, p. 865, 981; Vol. 7, p. 1051, 1154; Vol. 8, p. 1205)
2. The preference makes B.P. suppliers more attractive sources of raw sugar to Canadian refiners and also provides an inducement to B.P. suppliers to give Canada priority of supplies and, when required, preferred treatment. (Vol. 6, p. 877, 993; Vol. 7, p. 1053, 1116, 1154; Vol. 8, p. 1229)
3. Any reduction in the margin would make Canada less attractive to some suppliers and, thereby, would decrease the choice of available suppliers to Canadian refiners. (Vol. 6, p. 988; Vol. 7, p. 1117, 1140, 1154, 1196; Vol. 8, p. 1225)
4. Canada's participation in the International Sugar Agreement does not affect the need for the preferential margin in assuring Canadian refiners' supplies, because the obligations under the Agreement apply to all exporters, as a group, and not to particular exporters. (Vol. 7, p. 1026, 1056, 1119; Vol. 8, p. 1206)
5. Even if lower prices of refined sugar resulted from a reduction of the preferential margin, the cost, in terms of insecurity of sources of supply, would be high and Canadian consumers already benefit from relatively low prices of refined sugar. (Vol. 6, p. 981)
6. The less-developed countries provided statistical evidence of their very high dependence on exports of sugar as a source of income and urged that Canada take no action which would deprive them of the additional income made possible by the preferential margin. (Vol. 6, p. 871, 876, 980, 988; Vol. 7, p. 1113, 1152, 1185)
7. Various countries also drew attention to the balance of trade between Canada and themselves and took the view that the rates of duty on sugar should be determined in the context of the total trade and with regard to the provisions of the agreements in force between Canada and their countries. (Vol. 7, p. 1059)

The Cuban Submission

The Cuban submission was similar in several respects to the submissions of the developing B.P. suppliers except, of course, that Cuba was urging greater access for M.F.N. suppliers whereas the B.P. suppliers' opposed change in this respect. The representations by Cuba were, generally, as follows:

1. Sugar accounts for a very large proportion of the total value of Cuban exports and "constitutes the lifeblood of the Cuban Economy." (Vol. 8, p. 1259)
2. If access to the Canadian market were easier, there could be a rapid expansion in trade between Canada and Cuba.
3. The effect of the preferential margin forces Cuba to sell sugar to Canada's refiners at a substantial discount relative to the free market price and, thereby, discriminates against M.F.N. suppliers. (Vol. 8, p. 1262, 1265, 1276)
4. The "jump" in the M.F.N. rate, for sugar exceeding 98° in polarization, discourages Canadian imports of higher-polarizing sugars from M.F.N. countries. (Vol. 8, p. 1264)
5. If Canada were to grant easier access to M.F.N. sugar, there would be mutual benefits from the resulting trade between the two countries.

Submissions by Consumers' Groups

The Canadian Industrial Sugar Users and the Consumers' Association of Canada represented the interests of Canadian consumers at the public hearing. The former represented a very large group of manufacturers and industry associations which use sugar in their manufacturing processes; the latter represented, more generally, the individual Canadian consumer of sugar. The positions of the two groups were similar to some extent but, as noted, their proposals were significantly different.

The representations of the Industrial Sugar Users were along the following lines:

1. Canadian refined sugar is priced in relation to the cost at which imported refined sugar would be obtained and, therefore, reflects the duties payable on both raw and refined sugar. Thus, the removal of all duties on raw and refined sugars would result in lower prices of refined sugar to Canadian industrial and individual consumers. (Vol. 8, p. 1314, 1315)
2. Lower prices of refined sugar would help to stabilize or lower prices of Canadian-produced sugar-containing food products and would permit Canadian industrial users of sugar to compete on more even terms with imported sugar-containing products. (Vol. 8, p. 1316)

3. Canadian industrial users of sugar are at a disadvantage relative to imported sugar-containing products in the Canadian market because foreign exporters of these obtain drawbacks of duties paid on sugar when such goods are exported to Canada. (Vol. 8, p. 1317)
4. Canadian sugar refiners have more than adequate protection arising out of the customer service which they provide and the high quality and variety of the products which they sell and, therefore, do not require the additional protection of the tariff. (Vol. 8, p. 1326, 1328)
5. A reduction in the prices of sugar would benefit Canadian food industries and consumers without any detrimental effect on the Canadian refining industry.
6. The elimination of duties on raw sugar would increase the sources of supplies available to Canadian refiners. (Vol. 8, p. 1336)
7. The removal of all duties would also do away with the preferential margin and thereby relieve Canadian consumers of sugar of the burden of foreign aid which is given by Canada by way of the preferential margin in the tariffs on sugar. Moreover, it would also do away with the anomaly of Canadian aid being given to developed countries. (Vol. 8, p. 1336, 1337)
8. Partially refined sugars, such as plantation whites, should not be prevented from being used in the manufacture of food products by the high rates of duty imposed on them; "the Pure Food Laws of this country should be the only ones to regulate what the Food Industry should or should not use." (Vol. 8, p. 1333)

The Consumers' Association of Canada stated that its objectives were to encourage competition in Canada in order to ensure efficient production and reasonable pricing of consumers' goods. The Association supported its proposals as follows:

1. A downward revision of all Canadian tariffs on sugar would benefit Canadian consumers and, at the same time, serve the interests of developing countries. (Vol. 9, p. 1617)
2. The Canadian tariff structure is such that it discourages the development of basic industries in developing countries such as those of the Commonwealth Caribbean; the existing tariffs prevent the development of a refined sugar industry in the Caribbean, for example. (Vol. 9, p. 1618)
3. The Canadian beet sugar industry is protected by the Customs Tariff and is supported by Canadian government aid given in the form of deficiency payments. If support of the industry is desirable, it should be based entirely on deficiency payments; the present tariff structure imposes a tax on consumers of sugar only which should be borne by all taxpayers. (Vol. 9, p. 1620)

4. Even a small reduction in refiners' costs of raw sugar will increase the effective protection of the refining industry, substantially. Therefore, the rates of duty on refined sugar should be decreased at least by an amount that would preclude monopoly profits, to ensure that the industry's effective protection is not increased. (Vol. 9, p. 1621, 1623)

Analysis of Representations

The representations of individual companies, countries and industry associations were even more varied than is indicated by the selection of the major arguments put forward in the support of proposals. However, the principal issues, though complex, were few in number; they are listed below.

1. The probable effect of the International Sugar Agreement on prices of raw sugar and access to supplies by Canadian refiners.
2. The B.P. rates of duty on raw sugar in relation to sugar beet production.
3. The appropriate magnitude of the preferential margin of the rates of duty under tariff item 13500-1.
4. The appropriate magnitude of the rates of duty for refined sugar, that is, under item 13400-1.
5. The appropriate disposition and rates of duty of sugar not exceeding No. 16 Dutch standard, if imported by others than refineries or wineries, if all references to the Dutch standard are deleted from the existing tariff items and the wording proposed by Canadian refiners for items 13400-1 and 13500-1 is accepted by the Board.

Other issues were related to the above as, for example: the question of aid to developing countries, the effective protection of Canadian refiners under the existing and proposed tariffs and the relationship of the tariffs on sugar to the regulations under the Food and Drugs Act.

The various issues and the representations to the Board in support of the various proposals are examined below. Although the discussion deals with the principal arguments of the various interests, no reference is made to the particular arguments cited earlier.

Probable Effects of the I.S.A.

The International Sugar Agreement (I.S.A.) and other agreements and special arrangements, which affect the availability of free market supplies of raw sugar, were discussed in some detail in an earlier section. One of the major objectives of the I.S.A. was the maintenance of stable sugar prices which will be reasonably remunerative to producers. This objective is to be attained by a series of constraints which, in effect, will limit supplies when prices are low and declining and will make additional supplies available when prices

are high and rising. If the Agreement is successful in attaining the objective of greater stability of prices of sugar, average prices, over a period of time, may be somewhat higher than they would otherwise have been, but the principal impact of its provisions will be in limiting the magnitude of price fluctuations.

However, whatever effect the Agreement has on world prices will affect the cost of raw sugar and, consequently, the prices of refined sugar of all countries which depend on free market supplies and not only the prices in member countries. Sugar is a commodity which is traded internationally and the prices quoted on international commodity exchanges in London and New York represent transactions of both member countries of the I.S.O. and of non-member countries. The "prevailing price" of the I.S.O. is based on prices quoted in both London and New York and also reflects world prices. Thus, even if the Agreement achieves its objectives completely, the competitive position of Canadian refiners is not likely to be affected. At prices below 5.25 U.S. cents a pound only negligible quantities of refined sugar can be imported into Canada from non-members; at higher world prices member countries would have no advantage over Canada and non-member countries would export to Canada only if Canadian prices rose sufficiently to offset the relatively high ocean freight rates and if the Canadian market provided higher returns than others.

If Canada were not a signatory of the I.S.A., the situation would be very little different. Whatever effects the I.S.A. would have on world prices would be reflected in the London Daily Price (LDP), the basis for pricing Canadian purchases of raw sugar. Thus, the principal effect on Canada, of not being a signatory of the I.S.A. would be with respect to suppliers of raw cane sugar and not with respect to prices. However, the two effects are not unrelated, as is indicated below.

Under the provisions of the I.S.A., when exporting countries are unable to meet their export commitments under the Agreement, the shortfalls are redistributed to other exporting countries to prevent artificial shortages from arising from causes such as crop failure in some particular country or region. To Canadian refiners, these redistributions could result in higher costs of raw sugar if the shortfalls affect supplies from B.P. countries and are redistributed to M.F.N. countries; in such an event, although the redistribution would make additional supplies available, these supplies would be dutiable at the M.F.N. rates when imported by Canadian refiners and, therefore, would be purchased at a somewhat higher cost than B.P. raws. However, there are unlikely to be such shortfalls by B.P. suppliers, as a group, without causing the prevailing price of the Agreement to rise above 5.25 U.S. cents per 100 pounds and the additional cost of 25¢ per 100 pounds for M.F.N. raws (basis 96° polarization) would be only about five per cent of the c.i.f. cost of the probably small proportion of the total supply which might have to be purchased from M.F.N. suppliers.

St. Lawrence (Vol. 3, p. 390) and Cartier raised this issue at the public hearing. As the following quotation from the Cartier brief indicates, the problem is concerned at least as much with the Canadian tariff structure as with the International Sugar Agreement:

"One area which concerns us is the question of shortfalls. Should one of our major Commonwealth suppliers be unable to meet our traditional supply requirements due to calamity or other reason, there is no guarantee that this shortfall will be transferred to another Commonwealth supplier. Thus, we could be forced to acquire a sizeable portion of our raw supplies from M.F.N. sources and incur the substantial financial penalty inherent in the higher M.F.N. duty rates under the existing tariff structures." (Vol. 3, p. 434)

Origin of Raw Sugar Supplies

Apart from the problems which may arise as a result of the redistribution of shortfalls, noted above, the sources of Canadian supplies of raw sugar are mainly unaffected by the I.S.A. Canada now depends on B.P. countries for more than 90 per cent of its raw sugar imports. As noted earlier, Canadian purchases already account for the total supply of free market sugar available from the B.P. Caribbean and for a large proportion of those from Fiji and Mauritius; Indian supplies vary greatly in quantity and are available only in some years. Thus, as is indicated in the section on imports of raw sugar, Canada is likely to become increasingly dependent on Australia and South Africa for supplies of B.P. sugar: most of our M.F.N. imports are from Cuba.

The apprehension that B.P. suppliers would demand a larger share of the preferential margin if their bargaining power vis à vis Canadian refiners increases, is probably justified. However, if, for example, the quotas of B.P. suppliers under the U.S. Sugar Act were sharply reduced, it is also probable that the Canadian refiners' bargaining power could result in B.P. exporters receiving a smaller premium. In fact, the preferential margin sets an upper limit to the premium which can be demanded by B.P. suppliers; the actual premium is subject to negotiation.

Thus, it is probably true, as B.P. suppliers claimed, that the International Sugar Agreement is not likely to make it unnecessary for Canadian refiners to pay some premium over the LDP to assure themselves of continuing supplies of raw sugar. However, the magnitude of the premium is dependent, to a certain extent, on the preferential margin in the rates of item 13500-1 and not solely, as in the case of Japan, on market forces and costs of transportation.

B.P. Rates of Duty on Raw Sugar

Except for those with interests in beet sugar and sugar beets, all of the proposals were either for free entry or low rates of duty on B.P. raws not exceeding 99°. If Canada produced no beet sugar the duty collected on imports of B.P. raw sugar would be of domestic importance only for revenue purposes. Those who opposed free entry urged that the existing rates of duty on B.P. raw sugar provide protection to the sugar beet producers and beet sugar manufacturers by increasing the cost of producing refined cane sugar in Canada.

However, duties on raw sugar provide little if any protection for beet sugar or sugar beet production. Beet sugar is priced

in direct relation to cane sugar prices and cane sugar prices are clearly more closely related to the laid-down cost of refined sugar, inclusive of duty, than to costs of producing refined cane sugar in Canada. The sections of the report dealing with operating costs, the refiner's margin and the pricing policies of Canadian refiners, all indicate that prices of Canadian refined sugar are not very directly related to the costs of producing refined cane sugar, of which the cost of the B.P. duty on raw sugar is only a very small part.

A comparison of the relevant rates of duty on raw and refined sugar tendsto confirm such a conclusion. Almost all of the raw sugar which is used to produce refined sugar for domestic consumption is entered under the B.P. Tariff, a very large proportion being sugar exceeding 98° but not exceeding 99°, dutiable at 31.64 cents per 100 pounds; converted to refined sugar, this duty would at most, add approximately 32.62 cents to the cost of 100 pounds of refined sugar. In contrast, the M.F.N. duty on refined sugar is \$1.89 per 100 pounds or nearly six times the additional cost represented by the duty on raw sugar. Thus, although the existing B.P. duty on raw sugar adds about \$9.3 million to the cost of producing refined sugar in Canada, its effect on prices of refined sugar and, therefore, on the protection available to beet sugar and sugar beet production, is probably negligible in relation to the protection afforded to beet sugar by such factors as the rates of duty on refined sugar, and ocean and domestic freight costs.

The propriety of imposing revenue duties on export products of developing countries was discussed in Volume II of the "Proceedings of the United Nations Conference on Trade and Development [UNCTAD]", published in 1968, in the following terms.

"A number of developed countries impose duties for revenue purposes on the import ... of a range of agricultural products, principally coffee, cocoa, tea, sugar, oilseeds and tobacco ...

"Revenue charges ... tend to fall on commodities of mass consumption, the demand for which is relatively inelastic with respect to price ... Revenue taxes on ... sugar ... generally contribute only marginal amounts to total tax revenues ..." (U.N. Publication Sales No. E. 68. II D. 15, p. 42, 43)

The following excerpts from the same UNCTAD report discuss the agricultural support policies of developed countries in relation to the problems they create for developing countries and are relevant to the Canadian situation.

"In view of the prevalence of trade barriers affecting exports of primary commodities from developing countries to developed market economies, the first session ... attached great importance, in its recommendations, to the objective of improving market access . The first session proposed ... that, in respect of such commodities, ... policies in support of domestic production in developed countries should be modified so as to reduce their adverse effects on imports.

"Though the forms of protection in force in developed countries vary considerably ... they all have one general objective in common, namely, to provide domestic producers of primary commodities with a level of real income judged to be reasonable in relation to the corresponding levels in other sectors of the economy In some countries ... direct subsidies to domestic producers are made in order to maintain or increase the incomes of primary producers ...

"In some developed countries, the main effect of such protectionist measures is often to increase land values and rents, rather than to increase wages for farm workers Thus, in practice, these policies might well not succeed in ... increasing real incomes in the primary sector. Moreover, by resulting in higher domestic prices for food ... protectionist policies bear heaviest on the level of living of the poorer sections of the community.

"Protection imposes economic losses on both developed and developing countries. In the developed countries, resources are used in protected activities in which they have a comparative disadvantage in relation to alternative uses ... At the same time, the developing countries concerned suffer a real income loss by having to channel their resources into less economic activities in the primary sector ...

"For the developed countries a reduction in protection would allow the deployment of resources in more economic activities and, to this extent, would result in a gain in real income ...

"For the developing countries, easier access to the markets of developed countries ... would allow them to expand their export earnings. " (p. 39, 42)

Beet sugar production in Canada is subsidized under the deficiency payment program of the Federal Government. In recent years, the cost of the subsidies paid to the approximately 2,500 beet sugar producers under this program has been between \$3.5 to \$6.8 million annually, or an average of about \$1,400 to \$2,700 per farm producing sugar beets. Although sugar beet production is labour-intensive and provides employment for Canadians, as also do the beet sugar factories, no evidence was presented to the Board to indicate that these were particularly appropriate uses of the available resources.

The proposals of those who favoured the elimination or reduction of the B.P. rates of duty on raw sugar were based on arguments regarding the effect that this would have on prices of refined sugar. Some refiners estimated that the elimination of the duty would allow the prices of refined sugar to be reduced by about one-half cent a pound. This estimate appears reasonable if it is assumed that the entire savings in duty would be passed on to the consumer. However, such a direct relationship between costs and prices was not evident in the analysis in earlier sections of the report.

The section of the report dealing with sugar beets contains detailed information regarding sugar beet production and also deals with such subjects as the extent of the protection provided by the Tariff and freight rates, and the Federal Government's deficiency payment program.

The British Preferential Margin

The preferential margin was the subject of controversy only in relation to tariff item 13500-1, raw sugar; for sugar of 96° polarization, the margin is \$1.00, the difference between the M.F.N. rate of \$1.28712 and the B.P. rate of \$0.28712, per 100 pounds. Up to approximately the time of the second world war, Canadian refiners paid B.P. suppliers a premium equal to 100 per cent of the margin. After the war the premium was reduced to 85 per cent of the margin and, around 1960, to the current 75 per cent of the margin or 75 cents per 100 pounds of 96° raw sugar. During the 1920's the Canadian and British preferential margins had approximately the same value. However, with the successive devaluations of the British pound relative to the Canadian dollar, the Canadian preferential margin attained a much higher value than the British margin and this probably accounts for the post-war reduction of the Canadian premium from \$1.00 to 85¢ and may also account, in part, for the reduction to 75¢ in about 1960.

The latest reduction in the premium occurred at about the time of the Cuban revolution and the withdrawal of South Africa from the British Commonwealth. Although the preferential premium is subject to negotiation between buyer and seller, it is regarded as virtually a fixed amount at any given time and seldom changes.

The preferential premium increases the cost of raw sugar to Canadian refiners but, so long as it is less than the preferential margin, sugar of B.P. origin remains cheaper than M.F.N. sugar. When the preferential margin and the preferential premium are the same, factors other than cost account for any preference regarding origin of supplies. The premium also provides an attraction to B.P. suppliers because, apart from the premiums over world prices obtainable on sales of N.P.Q. sugar to Britain and under U.S. Sugar Act quotas to the U.S.A., it is a substantially larger premium than is obtainable by B.P. suppliers from sales of free market sugar to Britain, the only other country which pays a premium on B.P. sugar (exclusive of sugar from South Africa) purchased outside of special arrangements. The preferential premium paid by Britain is equal to the preferential margin in the British rates of duty, currently 3 shillings 8.8 pence (18.665 new pence) per 112 pounds for 96° raws. In mid-March of 1971, the British preferential premium was equivalent to 45.4 cents per 100 pounds compared with the Canadian preferential premium of 75 cents per 100 pounds.

The so-called premium over world prices, said to be paid by Japan, is simply the additional cost of freight from the Caribbean to Japan relative to the cost of freight from the Caribbean to London. In 1969 when freight rates were more or less normal, this "premium" was 30 shillings per long ton; in 1970, when freight rates rose sharply, it was 60 shillings per long ton. Unlike the Canadian preferential premium, the payment by Japan, over the LDP, varies constantly in relation to the difference in freight rates, Caribbean to Japan and Caribbean to London.

The preferential margin in the Canadian rates sets an upper limit on the premium which Canadian refiners can pay and still purchase B.P. sugar at a lower total cost than M.F.N. sugar but, at the same time, it also tends to set an approximate lower limit on the magnitude of the preferential premium. For example, before 1960, a savings in the laid-down duty-paid cost of only 15 cents per hundred-weight on 96° raws to Canadian refiners, was sufficient to direct most of their purchases to sugar of B.P. origin. Of course, factors other than price are an important element in these transactions, as for example, traditional trading relationships and mutual confidence between sellers and buyers. For example, Canada imported most of its raw sugar supplies from B.P. countries before World War II although B.P. suppliers received 100 per cent of the preferential margin at that time.

After 1960, the premium declined from 85 cents to 75 cents per 100 pounds and, because of the coincidence of this development with South Africa's withdrawal from the Commonwealth on May 31, 1961, and the loss of U.S. quotas by Cuba, in mid-1960, it might be inferred that the change in the magnitude of the premium was related to those events.

Prior to 1960, Cuba's shipments of sugar to the U.S.A. averaged 3.3 million tons, annually. As of mid-1960 Cuba faced the problem of alternative markets for this very large quantity of sugar and, simultaneously, a problem of earning dollars in order to purchase, for example, various machine and vehicle parts to maintain and repair vehicles and machinery in use in Cuba; a large part of this equipment was of U.S. origin. Because Canada continued to trade with Cuba, it was an obvious market in which dollars could be earned. The statements of the Cuban delegation and of St. Lawrence, indicate that Cuba has absorbed the discount of 25 cents per 100 pounds, basis 96° raws, on some sales of sugar to Canadian refiners (Vol. 3, p. 381; Vol. 8, p. 1273, 1274, 1276, 1277); this has been confirmed by other information available to the Board.

The Republic of South Africa also faced a serious problem in connection with export sales of raw sugar when it withdrew from the Commonwealth. In 1961, the last year in which South Africa was entitled to a Negotiated Price Quota, its quota was 176,400 tons; in addition, sales of South African sugar to Britain, in excess of the N.P.Q. (about 63,000 tons in 1961) were entitled to the preferential premium of 3s. 8.8d. After 1961, South African Sugar could be imported into Britain at the B.P. rates of duty, but was paid for at the world price, that is, the LDP without any premium, British preferential or any other. Thus, from the time that South Africa decided on withdrawal from the Commonwealth, South African exporters would have recognized that Canada was the only premium-price market available to them, apart from any quota they could obtain under the U.S. Sugar Act; in 1961, South Africa had no such quota.

Although, South Africa obtained a quota of 93,000 tons under the U.S. Sugar Act in 1962 and it was increased to 132,000 tons in 1963, South African production was expanding very rapidly and market outlets were required for this sugar. Moreover, its U.S. quota was reduced after 1963 and has been about 55,000 to 60,000 tons since 1966.

Thus, it would be a reasonable speculation that in the early 1960's Cuba and South Africa, because of the above developments, would have been competing more vigorously than in the past, for a larger share of the Canadian market. If, as a result, Cuba were willing to accept the discount of the 15 cents per 100 pounds (basis 96° raws) (Vol. 7, p. 1135), based on the preferential premium of 85 cents at that time, B.P. suppliers would be faced with a decision as to what share of the Canadian market they were prepared to relinquish - and it must be remembered that Cuba could supply the total Canadian demand without difficulty. If, as appears likely, South Africa was also prepared to shade its prices, at this time, it is not surprising that the preferential premium declined from 85 cents to 75 cents.

The additional discount which Cuba would have had to accept, as the difference between the preferential margin and the preferential premium increased, was, apparently, sufficient to retain the market for B.P. suppliers. However, South Africa's quota in the U.S. market was declining and Canada was becoming the only significant premium-price market available to it. Thus, it is not surprising that South Africa's exports to Canada increased from about 55,000 tons, in 1962, to the approximately 300,000 tons which it currently exports to Canada. (Vol. 8, p. 1235, 1236)

At least two elements appear to be involved in the determination of the actual amount of the preferential premium: one is the amount of the discount which M.F.N. suppliers are prepared to accept in order to sell sugar to Canadian refiners; the other is the extent to which B.P. suppliers are prepared to compete for Canadian custom. From the unanimity of B.P. suppliers and the vehemence of some of their statements at the public hearing, it is doubtful whether the competition between B.P. suppliers is likely to have any perceptible effect on the preferential premium. However, Cuba already accepts the 25-cent discount on some part of its sales to Canada and might be prepared to increase exports to Canada if the discount were only of the order of 10¢ to 15¢ per hundredweight, basis 96° raws. Moreover, one of Cuba's complaints, regarding the jump in the M.F.N. rates for sugar exceeding 98°, would be resolved by its elimination; as noted, three Canadian refiners supported the Cuban proposal in this regard and no one opposed it.

Therefore, it would appear that, if the preferential margin were reduced to 60 cents per 100 pounds of 96° raws as proposed by Atlantic Sugar, M.F.N. suppliers, particularly Cuba, would be likely to accept a discount of ten to fifteen cents per hundredweight in order to increase their exports to the Canadian market. Unless Cuba were prepared to accept such a discount on large quantities of raw sugar, B.P. suppliers could demand and receive the full amount of the lower preferential margin of 60 cents, although in doing so they might be relinquishing some part of the Canadian market. (Vol. 8, p. 1247) In this connection, the spokesman for Cuba said, "we do not intend to disturb this policy of Canada of buying sugar from Commonwealth countries." (Vol. 8, p. 1272)

It should be noted that, although the Canadian preferential premium was equal to the preferential margin for many years before the second world war, this did not affect the origin of Canadian imports of raw sugar. This suggests that non-price factors are an important element in the relationship between B.P. suppliers and Canadian refiners. Moreover, although, in part, the premium may reflect the relative bargaining power of B.P. suppliers and Canadian refiners, it also reflects the difference between the cost of freight from the B.P. country of origin to Canada and the Caribbean to Canada. In this connection, the Restrictive Trade Practices Commission makes this comment:

"If foreign refined sugar started to take any considerable part of the Canadian market away from the Canadian refiners and hence from Commonwealth raw sugar producers it would be within the power of the latter to place the Canadian refiners in a better competitive position by reducing the amount they retain out of the \$1.00 per 100 lbs. preference below the traditional figure of 85 cents [in effect in 1957]. It should perhaps be noted that the effect of this 85 cents is in fact reduced by the excess amount it may cost to ship raw sugar from its Commonwealth source to the Canadian port of entry over what it would cost to ship raw sugar from Cuba." (RTPC no. 4, p. 63)

Although, as noted earlier, the preferential margin in the rates of duty determines the upper limit of the preferential premium, the lower limit is established by market forces as well as the provisions of the Customs Tariff. This is clearly the case in respect of Japan, Malaysia and many other countries, where the Customs Tariffs contain no preferential rates; these countries pay what is required in a given market situation in order to acquire supplies of raw sugar and ordinarily pay more than the LDP because of freight cost differentials. (Vol. 7, p. 1019, 1020)

The analysis in the section on "Imports of Raw Sugar" indicated that, in most years, Canada's traditional suppliers would find Canada a more attractive market for free market sugar than either Britain or Japan even if Canadian refiners were to pay a premium of only 50 cents per 100 pounds of 96° raws (see tables 40 and 42). As table 42 indicated, when freight rates are about normal, as in 1969, and with a Canadian premium over the LDP of 50¢, every traditional supplier of the Canadian market would have received a higher return from sales to Canada, in 1969, than from sales to either Japan, or from free market sales to Britain; in 1970 when freight rates were the highest in more than a decade, a 50¢ premium would have yielded higher returns to the Commonwealth Caribbean, Mauritius and South Africa, but a lower return to Australia, on sales to eastern Canada relative to sales to Japan. However, even in 1970 Canada would have been a more profitable market than Britain. Thus, even the 60 cent margin proposed by Atlantic Sugar would yield B.P. suppliers a higher return from sales of free market sugar to Canada than would sales to any other importing country with a substantial market demand and, in years of very high freight rates, such as 1970, Canadian refiners who required Australian sugar would follow the universally accepted commercial practice of paying the additional freight cost.

The Rates of Duty on Refined Sugar

In their submissions, the Canadian refiners conceded that their net protection would be increased if the rates of duty on B.P. raws were reduced or eliminated while the protection on refined sugar remained unchanged or was decreased by less than an equivalent amount. However, they claimed that the Canadian market was very vulnerable to imports of refined sugar and semi-refined sugars such as mill whites or plantation whites. Although they presented considerable evidence of the extent to which refined sugar was protected in other countries, they presented very little evidence to indicate the probable origin of the competition against which they required protection and little or no factual evidence regarding transportation costs, prices of foreign refined sugar, storage costs, costs of distribution, probable Canadian importers or other relevant data.

Imports of refined cane or beet sugar have been reported separately only since 1965 and have not been even as much as 0.5 per cent of Canadian consumption in any year since then. Previously, the import statistics included refined cane and beet sugar with invert sugar, dextrose, maltose and other products in a single statistical class and, therefore, the figures reported for the years preceding 1965 are larger by the amounts of these other products included in the total. However, even if these somewhat larger figures are used, imports were of the same order - less than 0.5 per cent of total consumption in most years.

During the past 20 years (1951-70), imports exceeded one per cent of Canadian consumption of sugar in only five years and exceeded two per cent of consumption only in 1952, when they were 2.4 per cent of Canadian consumption. Thus, regardless of the threat which exists, or the vulnerability of the Canadian market, the available data indicate that imports of refined sugar into Canada have been of little significance for a very long time.

Most imports of refined sugar or refined sugar products have originated either in Britain or the U.S.A. and, as noted, the quantities involved are relatively small. However, in 1967 and 1968, the imports increased from the two or three million pounds of the preceding years, to about six million pounds; almost all of the additional imports originated in Britain. This increase was explained at the public hearing by the spokesman for the Canadian Industrial Sugar Users, as follows.

"It seems to us, Mr. Chairman, a good example of the salutary effect of competitive forces at work could be found in Halifax, where, in 1968, an industrial user imported nine million pounds (9,000,000) of refined sugar of the highest quality from Tate & Lyle, Liverpool, England. The supplier landed and stored this sugar in Halifax, delivered it daily, in required quantities, in top quality paper bags. Even after including one dollar, nine cents duty (\$1.09) it was delivered at approximately twenty-five cents (25) per hundred pounds (100 lbs.) less than the quoted price of the nearest Canadian competitor. The next year this purchaser's traditional supplier recaptured the business on purely economic considerations." (Vol. 8, p. 1331, 1332)

As the above quotation indicates, the imports of 12.4 million pounds, reported by DBS for 1967 and 1968 combined, included approximately nine million pounds which reflected a special situation. Even inclusive of this nine million pounds, imports in the two years were only 0.3 per cent of total consumption. In 1969, imports of refined sugar were less than one million pounds and, in 1970, they were 1.4 million pounds, or less than one-tenth of one per cent of Canadian consumption in each of these years.

Although some refiners considered that the threat of imports of refined sugar into Canada arose from M.F.N. countries, others stated that B.P. countries, mainly Britain, were likely to provide the greatest threat to Canadian refiners. To some extent, the apprehension regarding imports from Britain was based on the unusual situation described above.

The vice-chairman of Tate and Lyle reassured the Canadian refiners regarding exports to Canada by his company. According to his statements, Tate and Lyle accounts for 73 per cent of British production of refined cane sugar. He said:

"With regard to the possible volume of British refined sugar for exports to Canada, Tate & Lyle Refineries would not have very much spare capacity to increase these ... to any great extent. We have rationalized. We have closed one refinery in London and, as I say, our total available for export is not a very big amount ... So, the other factor here, with freight rates on the refined, and expensive ports I would not have thought we would often be competitive in the Canadian Market." (Vol. 8, p. 1301, 1305, 1306)

The only other B.P. countries which would have high quality refined sugar for export to Canada are Australia, New Zealand, the Republic of South Africa and Swaziland. Representatives of the refining industries of each of these countries insisted that, as a matter of business policy, they would not export refined sugar to Canada. Colonial Sugar Refining controls 95 per cent of the sugar refining capacity in Australia and the total capacity in New Zealand; the company spokesman referred to an earlier statement explaining why countries which export raw sugar would not export refined sugar to Canada and said:

"Now in the case of Australia, we would not be happy to export refined sugar for example in direct competition with, say, Tate and Lyle in London ..." (Vol. 7, p. 1096, 1097)

In his earlier statement he had said:

"In spite of the fact that we had ... adequate refining capacity ... we have never sent refined sugar to the Canadian market. We have been operating since the first half of the nineteenth century ... it is ... illogical to send raw sugar to a customer and then ... to take business away from that customer ... There are a number of other aspects which induce us not to attack the refined sugar in Canada ... There isn't any refinery I know in the world who, without subsidy or using his marginal cost area, could possibly compete in this market." (Vol. 3, p. 413)

The spokesman for the South African sugar refining industry was even more direct, saying:

"... we would never dream of exporting or trying to export refined sugar to Canada. We have a policy which quite briefly is that we do not compete with our friends, the raw sugar refiners, in markets which may be theirs. We would not dream of putting or trying to put refined sugar into Canada, anymore than we would try to put refined sugar into fields, which were traditionally supplied, for example, by Tate and Lyle, or by any of the Japanese Refiners. They are far too valuable to us as buyers of raw sugar, and in any case sir the cost would probably be uneconomic ... broadly sir it would be uneconomic, because of the freight rates ... we would not wish, and indeed have no intention whatever, of ever trying to put refined sugar into the Canadian Market ..." (Vol. 8, p. 1212, 1213)

The spokesman for Swaziland said that his country also would not send refined sugar to the Canadian market. (Vol. 7, p. 1175)

From the above, it seems evident that whatever threat exists for Canadian cane refineries, from the potential competition of foreign refined sugar, any substantial quantity is almost certain to originate in M.F.N. countries. Because the U.S.A. is not a signatory of the International Sugar Agreement, the nearest source of substantial imports of refined sugar is Cuba. In this connection, the Cuban spokesman said:

"... we have been interested in the Canadian Market as a raw sugar market not as a refined sugar market ... we receive a higher price in Europe -- with our preferential market. This refined sugar is not available for Canada at this moment, because we are selling the full amount of our refined sugar to those preferential markets, where we get a higher price ..." (Vol. 8, p. 1281, 1284)

Thus, potential imports of refined sugar, in large quantities, would be from M.F.N. countries, mainly in Europe. E.E.C. countries pose no threat unless the prevailing raw sugar price rises above 5.25 U.S. cents a pound, because the Community is not a member of the International Sugar Organization (I.S.O.); this leaves socialist countries as the most probable source of substantial refined sugar imports. As noted in the section on "Imports of Refined Sugar", costs of transportation, packaging and, most particularly, the services which would have to be made available to Canadian customers, make such imports, in large quantities, a very unlikely event.

A significant statement, in this respect, was made by the spokesman for Atlantic Sugar.

"If this market [Canada] was going to be served by imported refined sugar or a major portion of refined sugar you would have to have packages -- sorts ... of which the market has grown accustomed ... you also must produce, particularly for certain industrial sugar users, that quality to which they have become accustomed. You must establish depots.

You can't bring this stuff over in one ton lots. You need boat loads. You got to put that some place into storage. You get into a distribution problem, you get into a selling problem ... you want to be fairly certain that market was there for some time to come before you gave up that nice raw sugar trade that has been steady and your money is on the barrel head. When the ship comes into the harbour the seller is paid. He has no concern about credits or anything of this nature. He doesn't even have a sales force. His sales force is a broker." (Vol. 4, p. 561)

The Restrictive Trade Practices Commission also concluded that the protection of Canadian refiners involved more than the duties which would be levied on imports, as the following quotation indicates.

"In addition to the protection that can be measured in dollars and cents, arising out of the customs duties, the domestic refiner gets some other advantages in the Canadian market as compared with outsiders. For one thing he gets whatever advantage there is in the ocean freight rates being lower on raw sugar than on refined. For another, the Canadian refiner is operating in a market that absorbs a comparatively high proportion of brown or soft sugars and this increases his advantage over sellers of refined sugar who do not have such a market to sell in ...

"Domestic refiners also get some advantage over foreign competitors because their operations are comparatively close to their customers' places of business. They are therefore more easily able to give quick service and to provide their products in the packages and form demanded from time to time by their customers without having to hold excessive stocks in a number of places.

"In the sugar refining process there is some residual yield of molasses. Since a Canadian sugar refiner can apparently get more for his molasses than can the refiner in most other places the Canadian refiner's advantage is further increased." (RTPC no. 4, p. 62)

The effect of the production of soft sugars on the Canadian cane refiners' protection is indicated in the following quotations from the same report. It should be noted that soft sugars are currently sold at the same price as granulated sugar; at the time of the Commission's report, soft sugars were priced at a discount to granulated white sugar. Also, soft sugars are now only about six per cent of refiners' shipments; at the time of the RTPC report, they were eight to nine per cent of the total volume of shipments.

"According to an estimate made in the Acadia-Atlantic organization in 1951, there was an 'extra profit of around \$1.00 per 100 lbs. due to water and impurities in softs' (AND 1643A, 4639).

"An analysis of 'Grade and Package Differentials' made in March 1953 within the Acadia-Atlantic organization includes a paragraph at page 12 which shows how this conception of there being an extra profit on soft sugars arises and is measured:-

'SOFT SUGAR

Soft sugar is sold at a differential under granulated in recognition of the fact that it contains impurities of lower value than sugar, and also contains water. In spite of the differential the refinery makes a profit depending on analysis of softs, of somewhere around \$1.10 per 100 lbs. over the profit on granulated, based on current prices of granulated and the alternative product, blackstrap, at 1.2¢ per dry pound (about 14.5¢ per Imp. Gal.) The costs of packing the different grades of softs are calculated below in comparison with the cost of packing softs in 100 lbs. jute bags with asphaltic paper liners. It should be borne in mind with respect to each grade that there is an additional profit of about \$1.10 per 100 lbs. for the reasons above given." (RTPC no. 4, p. 33, 34)

From the preceding, it appears that the import statistics are an accurate reflection of the Canadian refiners' position with respect to the threat of imports of refined sugar. Their protection, under the existing rates of duty, has obviously been sufficient to ensure that more than 99.5 per cent of the Canadian consumption is supplied by Canadian production in almost every year.

Effective Protection of Cane Refiners

The effect on the net protection of Canadian refiners of the proposals regarding the rates of duty on B.P. raws and on refined sugar, is shown below. In view of the preceding discussion, it is apparent that the relevant rates of duty for the Canadian cane refining industry are the B.P. rates on raw sugar and the M.F.N. rates on refined sugar.

	M.F.N. Duty for Refined Sugar	Equiv. Duty ^(a) for 98.5° B.P. Raws	Net Protection ^(c)
	- cents per 100 lbs. of refined sugar -		-
Proposed by:			
B.C. Sugar	189*	32.62*	156.38*
Atlantic	189*	Free	189
C. & D.	189*	Free	189
Cartier	189*	Free	189
St. Lawrence	162	5.05	156.95
Industrial Users	Free	Free	0
Consumers' Assoc.	(b)	Free	..

(a) Proposed rate converted to equivalent of 100 lb. refined sugar (X 1.0309)

(b) Proposed that effective protection should, at the least, not be increased by its proposals regarding raw sugar

(c) Difference between columns 1 and 2; no account is taken of the preferential premium on raw sugar

* Indicates existing rates or situation

In most of the refiners' proposals their net protection would be increased by approximately 33 cents per 100 pounds of refined sugar, the net protection proposed varying from the approximately \$1.56 of the existing rates (the B.C. Sugar and St. Lawrence proposals) to the \$1.89 of most other refiners' proposals.

If the ad valorem equivalents of these rates are of interest, there is an immediate question regarding what it is that is being provided protection. Raw sugar is such a large part of the costs and selling prices of refined sugar as to make such calculations meaningless when based on the selling prices of refined sugar. For example, if the \$1.89 is calculated on the Montreal refiners' average discounted list price in 1963, it would be approximately 14.0 p.c.; if calculated on the average discounted list price in 1968 it would increase to 28.9 p.c. Thus, the equivalent ad valorem rates would vary inversely with prices of raw cane sugar, a product which is not produced by cane refiners and is purchased by them on the same terms as by other buyers of free market raw sugar.

What is being protected by the duty is the process of refining, that is, the value that is added by Canadian refiners in converting raw cane sugar into refined cane sugar; this is the basic concept of effective protection which is involved in the proposals of the Consumers' Association of Canada. In its simplest terms the effective rate of protection is the net amount of duty per unit, calculated as a percentage of the value added per unit, exclusive of duty, in manufacturing a product. The value added is derived by subtracting from the selling price of a product, the cost of the materials and supplies used in its manufacture, inclusive of fuel and electricity. The following equation has been used by the Board in calculating the effective protection on refined cane sugar:

Effective rate of protection equals

$$\frac{\text{value added with duty} - \text{value added without duty}}{\text{value added without duty}} \times 100$$

Most tariff items in the Canadian Customs Tariff provide for a margin of British preference in the rates of duty. So long as there is competition among the suppliers of the goods to which the margins apply, these give an advantage to B.P. suppliers, which may be sufficient to direct Canadian purchases to B.P. countries of origin.

Thus, with competition among potential suppliers, the preferential margin is a means of directing the flow of trade with little, if any, direct effect on the prices of the goods. In respect of raw sugar the situation is different and the preferential margin appears to perform two functions: firstly, it appears to direct Canadian purchases to B.P. countries of origin and, secondly, it enhances the returns which would be available to B.P. suppliers in competitive market situations.

It is not clear to what extent the B.P. margin has been responsible for directing Canadian purchases of raw sugar to B.P. countries. Prior to the second world war the margin of preference and the Canadian preferential premium were identical and, at that time, raw sugar imported from M.F.N. countries of origin could have been

purchased by Canadian refiners at the same cost as raw sugar of B.P. origin. In spite of this, Canadian imports were almost entirely from B.P. countries of origin. In fact M.F.N. raws are currently a larger proportion of Canadian imports than they were 1937-39 (table 52), although some of the M.F.N. raws are currently purchased at a higher cost than raws of B.P. origin.

Table 52: Imports of Raw Sugar by Principal Country or Region of Origin, Averages 1937-39 and 1968-70

	<u>3-year Average</u>		<u>Per Cent of Total</u>	
	<u>1937-39</u>	<u>1968-70</u>	<u>1937-39</u>	<u>1968-70</u>
	million lbs.		per cent	
B.W.I.	603.7	185.4	62.2	9.2
Australia	163.5	465.3	16.8	23.0
Fiji	131.0	143.0	13.5	7.1
Mauritius	-	362.7	-	17.9
South Africa (a)	24.2	524.1	2.5	25.9
Other B.P. Africa	29.0	67.5	3.0	3.3
Total B.P. (b)	<u>951.5</u>	<u>1,859.6</u>	<u>98.0</u>	<u>91.8</u>
Cuba	18.6	137.9	1.9	6.8
Other M.F.N.	1.2	27.1	0.1	1.3
Total M.F.N.	<u>19.8</u>	<u>165.1</u>	<u>2.0</u>	<u>8.2</u>
All Countries	971.3	2,024.7	100.0	100.0

(a) Includes Swaziland

(b) Includes Bahamas, British Honduras, India, Malaysia

Source: DBS, Cat. No. 65-007

In part, comments of the Mauritius spokesman, regarding traditional relationships, may explain why Canadian refiners, in the years before World War II, used B.P. supplies almost exclusively, although there was no cost advantage relative to M.F.N. raws. He said:

"... my experience ... is that the selling of sugar in Canada was done in an extremely personal relationship basis ... This personal contact ... is coming to know the requirements of the refiners ... what kind of sugar, in what kind of vessel, what date of arrival and for what purpose is required to import sugar, and it is trying to meet these requirements, which establishes that trading relationship for which the word "tradition" has been used." (Vol. 7, p. 1021)

Many statements could be quoted to indicate that the preferential premium has resulted in B.P. suppliers regarding the Canadian market as being almost equivalent in importance to their premium-price markets in Britain and the U.S.A. The following remarks by the South Africa spokesman show this clearly; they also show that the premium has benefited Canadian refiners by insuring continuity of supplies.

"Sir, may I just get back to this question of the drought, which hit us in 1965-66. I think it would be pertinent to say sir that in support of our contention that it is in the best interest of all parties to retain the preferential tariff structure as it is, that in this particular drought year, South Africa went out and bought hundreds of thousand of tons of sugar from other sources, so that we could fill our commitments to the Canadian Refiners. Our contract stipulated sugar of South African origin. What sugar we had in South Africa went in fulfillment of our contractual obligations. We imported sugar for our own domestic use ... I have no doubt at all sir that other producers would have done exactly the same ... to us it was a matter of honour to see that our obligations were met." (Vol. 8, p. 1223, 1224)

The fact that imports from M.F.N. countries were a smaller proportion of total Canadian imports in the period before the second world war than currently, indicates that differences in costs were probably a minor consideration in the development of the historical relationship between Canadian refiners and B.P. suppliers. When these relationships were being developed there was no price advantage in purchasing B.P. raws and millions of tons of Cuban raws were available for export to Canada but, in spite of this, Canadian refiners purchased raw sugar almost exclusively from B.P. countries.

The reduction of the premium from one dollar to 85 cents was accomplished not by bargaining between buyers and sellers, but by agreement between Canadian and British representatives during the term of Canadian government control of raw sugar supplies. (Vol. 8, p. 1248) The reduction of the premium from 85¢ to 75¢ per 100 pounds of 96° sugar appears to be attributable more to the revolution in Cuba and the withdrawal of South Africa from the Commonwealth than to the exercise of bargaining power by Canadian refiners.

The inflexibility of the preferential premium in conjunction with the basing point-freight equalization system of pricing by B.P. suppliers, suggests a greater element of sharing the Canadian market by B.P. suppliers than of price competition for that market. This is also suggested by a variety of statements made at the public hearing. For example, the spokesman for Mauritius noted that his country did not supply the Vancouver refinery because "it is ... tied up with the traditional pattern of selling to Canada ... it so happens that there has been an established pattern ... developed ... which is rather difficult to break." (Vol. 7, p. 1036) The Australian spokesman said "there is a bank of sugar in Australia available to take over short positions in terms of supply which might temporarily affect ... Commonwealth nations." (Vol. 7, p. 1183) The South African spokesman, after commenting on some of the difficulties his country faced in selling sugar after withdrawing from the Commonwealth and after noting that Canada was the only preferential market available for South African sugar, said "I think that our proportion of sales to the Canadian Market will probably remain reasonably static, except in so far as we can do as Australia does, act as a bank to fill in any gaps, which might occur from time to time ..." (Vol. 8, p. 1239)

In view of the above, it seems clear that those countries which have large supplies of raw sugar for export, as Australia, South Africa and Mauritius, consider that they are entitled to some predetermined share of the Canadian market, which they will not ordinarily exceed except to make good shortfalls on the part of other B.P. suppliers.

The spokesman for Australia discussed the Canadian preferential premium in the following terms:

"Canada's preference system for raw sugar rests on simultaneous and adequate commercial incentive for buyers and preferential seller to deal together. Unless the buyer has commercial room to negotiate a more attractive price to him he will be indifferent as to source between preferential and non-preferential sellers. Correspondingly unless the seller has the commercial room to improve his return from sales to Canada compared with other markets -- i.e. be able to overcome freight and price differentials etc. in alternative available markets -- he will be indifferent or even averse to selling to Canada.

"A preference margin, effective in achieving priority of supplies for Canada, must be large enough to provide room simultaneously for commercial incentive to both buyer and seller in most or all market circumstances. The preference margin must be sufficient to offset whatever level of commercial disability exists against Canada compared with alternative markets. It is important to recognise that the level of that disability varies with market circumstances." (Vol. 7, p. 1055, 1056)

Clearly, the Australian raw sugar industry regarded the preferential premium, at least in part, as a means of offsetting Canada's freight cost disadvantage relative to buyers like Japan, Malaysia, Singapore and others.

It was evident from the discussions at the hearing that B.P. suppliers, particularly Australia, South Africa, Mauritius and Fiji, regarded the preferential premium as an essential element in assuring Canadian refiners of supplies from the more distant B.P. countries; these countries will probably supply 80 per cent or more of Canadian raw sugar imports in the future (see table 35). The following quotations indicate some of the views of B.P. spokesmen.

"In the world free market sugar trade, Canada has an effective priority of sugar supplies, arising from the existing preference margin ... A major part of Canada's supplies is shipped from distant sources at relatively high freight costs, and the freight differentials between shipping from those sources to Canada and shipping to other nearer markets is generally offset through the current margin of preference ...

"Without the existing preference margin a number of the proven suppliers may, on economic grounds, have to consider reducing substantially their participation in the Canadian market ...

"... without the existing preference, the Australian sugar industry would have little financial incentive to supply Canada. Other markets would become more attractive to Australia." (Vol. 7, p. 1052, 1053, 1054)

"Without the existing preference margin, the Fiji sugar industry would, albeit reluctantly ... be forced to consider the desirability of being so heavily committed to a single ... market to the detriment of its potential large scale participation in fast growing markets in Asia ..." (Vol. 7, p. 1118)

"It is the considered opinion of Mauritius:-

(a) that the present amount of the Canadian preference is no more than is necessary to attract regular supplies of preferential sugars ...

(b) that any reduction of the preference margin ... would imperil Canada's most reliable sources of supplies ..." (Vol. 6, p. 981)

At the public hearing, and in correspondence, it was apparent that the refiners consider that the preferential premium is equivalent to an additional duty which applies to the raw cane sugar which they use. This view would appear to have some limited validity only if the analysis were involved with determining the effective protection resulting from all relevant factors, including, for example, the protection afforded by costs of transportation of refined sugar. If the total premium of some 75 cents per 100 pounds of 96° raws is regarded as duty, it involves the assumption that distant countries such as Australia and South Africa would continue to supply Canada in the absence of any freight-cost differential such as Japan and Malaysia pay.

Although the upper limit of the premium is, apparently, determined by the difference between the B.P. and M.F.N. rates of duty of tariff item 13500-1 (the preferential margin), the preferential premium has declined from \$1.00 to 85 cents per 100 pounds and, more recently, to 75 cents per 100 pounds of 96° raws. B.C. Sugar stated, for example, that on one recent occasion the premium had been as low as 65 cents per hundredweight. (Vol. 5, p. 685) In contrast, the rates of duty established by the provisions of the Customs Tariff are not negotiable and remain unchanged regardless of the market situations involved in particular transactions.

Tables 40 and 42, in the section on "Imports of Raw Sugar", indicate, clearly, that Canada would have to pay a fairly substantial premium to Australian, Mauritian, Fijian, and B.P. Caribbean suppliers in order to attract sugar which might otherwise be sold, for example, to Britain or Japan. Even if there were no British preferential margin in the Canadian rates of duty under item 13500-1, Canadian refiners would have to pay at least 40 cents per hundredweight over the LDP in order to attract supplies from Australia and Fiji. This "premium" over the LDP could not be considered part of the duty paid by refiners on raw sugar although, like the rate of duty which might apply, it would increase the costs of Canadian refiners. The similar, so-called premium paid by Japan could not be considered to be part of the duty paid by Japanese refiners in a calculation of effective protection

for that country. Thus, although the preferential premium paid by Canadian refiners increases their costs, and is thus taken into account in the calculations, it is not the same as the duty payable by Canadian refiners on their purchases of raw sugar.

In effect, the existing preferential premium consists of two elements: one part represents the amount which Canadian refiners must pay in order to compete with British, Japanese, Malaysian and other refiners for supplies of Indian and Pacific Ocean raws; the second and smaller part is the negotiable part of the premium and reflects the relative bargaining positions of buyers and sellers. To consider the total premium as protection on the refiners' raw materials is to overstate the amount which might reasonably be attributed to the effects of the provisions of the Canadian Customs Tariff by more than twice, even if that part of the premium which is not a freight differential cost is regarded as duty on raw sugar. However, even that part of the premium which is attributed to the difference between the B.P. and the M.F.N. rates of duty and not with the first element, which is essentially a cost of transportation, does not appear to be protection afforded by the rates of duty, in the ordinary sense.

Therefore, in the calculation of the effective rate of protection, variation A, the preferential premium is included in the costs of the raw cane sugar which refiners use but, like the cost of ocean freight, is not deemed to be protection arising out of the rates of duty on raw cane sugar. However, in order to examine the impact of other approaches on the effective rate of protection, several calculations were made, based on the following assumptions regarding the preferential premium on raw sugar:

- (A) the total premium was included in the refiners' costs but was not considered to be duty paid on raw sugar;
- (B) the part of the preferential premium which was assumed to be premium, as distinct from freight cost differential, was taken to be 33 cents per 100 pounds of 96° raws;
- (C) the premium was assumed to be 75 cents per 100 pounds of 96° raws and this total amount was treated as additional duty paid on the raw sugar.

In all the above variations it was assumed that refiners used B.P. raws and priced "up to the M.F.N. Tariff" on their refined sugar products.

In addition, it was assumed, in variations (D), (E) and (F), that Canadian refiners used B.P. raws but priced their refined sugar products in relation to the B.P. rates of duty; the variations based on this assumption correspond with the assumptions of variations (A), (B) and (C), in respect of the treatment of the premium on raw sugar, but the value added and the effective rate of protection are calculated in relation to potential imports of B.P. refined products.

The calculations of the rates of effective protection on refined cane sugar and its products, given in table 53, are based on the data reported by Canadian cane sugar refiners to the DBS; in some cases supplementary information was obtained from individual refiners. The computations were made in the greatest detail permitted by the data; for example, the duty included in each of the several kinds of packaging materials and chemicals used, was determined before aggregation. However, the value of most of the individual raw materials other than raw sugar, was so small, that, when converted to the basis of 100 pounds of refined sugar, most had to be aggregated in order to obtain significant figures. The calculations were made for 1968 and 1969 and yielded very similar results except that the effective rate was somewhat lower in 1969 than in 1968.

The details of the calculations of variations (A), (B) and (C) are the same except for the differences which result from the assumptions regarding the preferential premium for raw sugar; the differences in these assumptions affect the lines in the table relating to "raw cane sugar", "total inputs" and "value added". The assumptions relating to variations (D), (E) and (F) affect, in addition, the figures in the line designated as "total outputs". For convenience, the complete details of variation (A) are given in table 53, but only the resulting effective rate of protection is shown for each of the other variations.

Table 53: Effective Protection of Canadian Cane Refiners,
Under Various Assumptions, 1969

	Value, Duty Included	Amount of Duty	Value, Duty Excluded	Ad Val. Equivalent of Duty p.c.
	- \$ per cwt.	all products	-	
<u>Variation (A)</u>				
Raw cane sugar	4.3388	.3239	4.0149	8.1
Filtration & rel. mats.	.0435	.0001	.0434	0.3
Starches, acids, etc.	.0156	.0017	.0139	12.6
Containers & pack. mats.	.2636	.0391	.2245	17.4
Operating, maint. & repair supplies	.1360	.0177	.1183	15.0
Fuel & electricity	.1091	.0024	.1067	2.3
Total inputs (a)	4.9066	.3850	4.5216	8.5
Total outputs (b)	7.9436	1.8757	6.0678	30.9
Value added (b - a)	3.0370	1.4908	1.5462	-

Effective Rates of Protection - Various Assumptions

(A)	Premium included in costs of raws - excluded from duty	96.4 p.c.
(B)	Premium of 33¢ per cwt. of 96° raws included as duty	59.9 p.c.
(C)	Premium of 75¢ per cwt. of 96° raws included as duty	29.3 p.c.
(D)	As (A) but using B.P. rates on refined products	29.1 p.c.
(E)	As (B) but using B.P. rates on refined products	12.3 p.c.
(F)	As (C) but using B.P. rates on refined products	-3.7 p.c.

In view of the relatively low average rates of protection on the inputs, it is not surprising that the effective rates of protection are as high as 96.4 p.c. and 59.9 p.c. in variations (A) and (B), respectively. These high levels of protection are consistent with the data presented in the section on the "Refiner's Nominal Margin" and the financial results of the sugar refining industry. With effective rates of protection of this magnitude it is not surprising that the industry supplied at least 99.5 per cent of Canadian consumption in 10 of the past 15 years. Variation (C) represents the approach generally favoured by the refiners; however, as the preceding discussion indicated, it would be unrealistic to assume that Canadian refiners could obtain the raw sugar which they require without payment of the freight-cost differentials from distant suppliers.

When the proposals of the industrial users for free entry of both raw and refined sugar were used in the calculations in place of the existing rates of duty, the resulting effective rate was negative, minus four p.c.

The rates of duty proposed by the Consumers' Association were also substituted for the existing rates, in the calculations, to determine approximately what rates of duty on refined sugar would avoid any increase of the refiners' effective protection and, preferably, would reduce it, if B.P. raws were duty-free. Three calculations were made assuming M.F.N. rates of \$1.00, \$1.25 and \$1.50, per 100 pounds of all refined products; in all of the calculations it was assumed that refiners would take full advantage of the protection available to them.

M.F.N. Rate Per 100 Pounds of Refined Sugar	Effective Rate of Protection	
	As in Variation A	As in Variation B
\$1.00	39.8 p.c.	13.8 p.c.
\$1.25	55.9 p.c.	27.0 p.c.
\$1.50	72.1 p.c.	40.1 p.c.

Presumably, the Consumers' Association would have preferred the lower rates, of \$1.00 or \$1.25 per 100 pounds, to the \$1.50 rate.

Canadian Prices of Refined Sugar

Canadian refiners and many of the suppliers spoke of the high quality of Canadian refined sugar and of the low retail prices of sugar in Canada. There appears to be no question, on the basis of available evidence, that Canadian refined sugar is probably equal to the best in the world. The product is almost chemically pure sucrose and, according to the regulations under the Food and Drugs Act must contain not less than 99.8 per cent sucrose, by weight. A large proportion of Canadian production is substantially higher than this minimum; some companies' sugar averages about 99.97 per cent sucrose. Although it might be questioned whether such a high standard is necessary or desirable for some purposes, the quality of Canadian refined sugar is unquestioned.

Although Canadian prices of refined sugar may appear low when compared with prices in Britain or the U.S.A., they are high in relation to the prices paid by Canadian refiners for raw sugar. This was evident in the section on "The Nominal Refiner's Margin", where it was shown that the Canadian refiner's margin is consistently higher than that of either the U.S.A. or Britain; it is also evident from the following comparisons of average comparable costs of raw sugar and prices of refined sugar, in Canada, the U.S.A. and Britain.

Table 54: Costs of Raw Sugar and Wholesale Prices of Refined Sugar, Canada, Britain and the U.S.A., 1961-70

	Costs of Raw Sugar ^(a)			Wholesale Price Refined ^(c)		
	Canada	U.K. ^(b)	U.S.A.	Canada	U.K.	U.S.A.
	\$ per 100 lb.			\$ per 100 lb.		
1961	4.42	6.05	6.29	7.04	8.23	8.68
1962	4.62	7.17	6.45	7.20	9.18	8.87
1963	11.26	8.61	8.19	13.75	10.36	11.15
1964	8.25	8.74	6.90	11.02	10.45	9.93
1965	3.99	7.52	6.75	6.83	9.43	9.48
1966	3.54	6.94	6.99	6.38	9.06	9.62
1967	3.80	7.03	7.28	6.62	9.25	9.88
1968	3.65	6.27	7.52	6.68	8.31	10.15
1969	5.12	6.48	7.75	8.29	8.42	10.69
1970	5.71	6.03	8.07	8.96	8.11	11.21

(a) Cost of quantity of raws equivalent to 100 lb. of refined sugar

(b) LDP plus surcharges or minus distribution payments

(c) Discounted list prices in one hundredweight bags

Source: Various publications of the I.S.A., U.S.D.A., U.K. Sugar Board Annual Reports, and price lists of refiners

The relationships between the costs of raw sugar and the wholesale prices of refined sugar are more readily apparent when the cost of the raw sugar is expressed as a percentage of the discounted wholesale price. These relationships are shown in table 55; it is obvious that, except in years like 1963 and 1964 when Canadian refiners' costs of raw sugar were very high, raw sugar constitutes a much smaller proportion of the wholesale price in Canada than in Britain or the U.S.A.

Table 55: Costs of Raw Sugar as a Percentage of the Wholesale Price of Refined Sugar, Canada, Britain and the U.S.A., 1961-70

	<u>Canada</u> cost of raws as %	<u>Britain</u> of refined wholesale price	<u>U.S.A.</u>
1961	62.8	73.5	72.5
1962	64.2	78.1	72.7
1963	81.9	83.1	73.5
1964	74.9	83.6	69.5
1965	58.4	79.7	71.2
1966	55.5	76.6	72.7
1967	57.4	76.0	73.7
1968	54.6	75.5	74.1
1969	61.8	77.0	72.5
1970	63.7	74.4	72.0

Source: Derived from table 54

In the section on "The Nominal Refiner's Margin" it was stated that "the persistence of a larger margin is possible only where the market in which the larger margin occurs is protected by institutional factors within that market, the rates of duty on refined sugar ... or as the result of a combination of these factors." It is apparent, from the preceding analysis, that the effective rates of duty on refined sugar are high, by whatever method such a calculation is made.

The 1960 "Report Concerning the Sugar Industry in Eastern Canada", of the Restrictive Trade Practices Commission, concluded (p. 314) with the statement that:

"It would appear desirable that as revisions are negotiated with respect to trade agreements affecting sugar the degree of concentration now existing in the Canadian sugar industry should be kept in mind so that potential or actual competition from external sources will be able to act as an additional factor in situations where the fewness of Canadian suppliers might otherwise contribute to a lack of responsiveness to changes in underlying market conditions."

Capacity^s of Canadian Cane Refineries

According to the Board's calculations, the production of cane sugar in Canada, in the four years 1967 to 1970, varied from a low of 58 per cent of the industry's capacity in 1967 to a high of 63 per cent of the capacity in 1970. The relationship of the industry's production to its capacity is summarized below.

	<u>Production of Cane Sugar</u> million pounds	<u>Capacity of Refineries</u> pounds	<u>All Cane Refineries</u> prod. as %	<u>Individual Refineries</u>	
				<u>Lowest</u>	<u>Highest</u>
1967	1,757	3,020	58.2	37.6	82.1
1968	1,860	3,051	61.0	40.4	77.2
1969	1,897	3,199	59.3	46.5	86.0
1970	2,000	3,201	62.5	..	..

The excess capacity of the Canadian cane refining industry supports the conclusions suggested by the large size of the Canadian refiner's margin and the high rate of the industry's effective protection. The extent to which individual refineries make use of their refining capacity is subject to considerable variation as was also the case in respect of such measures as the refiner's margin, costs and profits.

As was evident in the earlier sections of the report in relation to costs, profits and the refiner's margin of individual refineries, some refineries appear to operate, consistently, at much below their capacity. For example, in the three years, 1967 to 1969, one refinery operated at less than 50 per cent of its capacity in every year and another operated at approximately 50 per cent of capacity in two of the three years. Only two refineries' production exceeded 75 per cent of capacity in each of the three years.

The Canadian cane sugar refining capacity is shown in table 56, below, for the period 1955-70, together with production of cane sugar in this period.

Table 56: Production and Capacity of Cane Sugar Refineries,
Selected Years, 1955-70

	<u>Production</u>	<u>Capacity</u>	<u>Prod. As % of Capacity</u>
	million pounds		per cent
1955	1,304	2,009	64.9
1960	1,426	2,452	58.2
1965	1,674	3,020	55.4
1970	2,000	3,201	62.5

It is clear from the table, that Canada had sufficient cane refining capacity, in 1955, to supply the total domestic and export demand in 1965, by operating at 83 per cent of capacity. Nevertheless, two new plants came into operation between 1955 and 1965 and others expanded their existing capacity during that period. C. & D. opened a large, new cane refinery at Toronto, in 1959, although the industry was then operating at less than 60 per cent of capacity; the much smaller Cartier refinery started operations in 1964, when Canadian production was approximately 58 per cent of cane refining capacity.

St. Lawrence's spokesman noted that the company refinery was operating at 70 per cent of capacity at about the time of the hearing and said costs would be reduced by 25 cents per 100 pounds of refined sugar if the refinery could be operated at capacity. (Vol. 3, p. 409) This suggests that much larger savings could be achieved in those plants which were operated at less than 50 or 60 per cent of their capacity. It also suggests that market rigidities and the protection available to the industry is of such a magnitude as to make such savings less important than company strategies related to capturing and holding some share of the Canadian market.

The Rates of Duty for Sugars Imported by Non-refiners

Under the existing tariff items, relatively low-polarization raw sugars below No. 16 Dutch standard, are entered under item 13500-1, regardless of the intended use; high-polarization raw sugars, or the semi-refined sugars such as plantation whites, are entered under item 13400-1, when imported by others than refiners. Imports for use in the manufacture of wine, covered by items 13405-1 and drawback item 97050-1, are excluded from this discussion. The darker sugars, not exceeding No. 16 D.S., would generally have a polarization of less than 99°; the sugars of the quality of plantation whites would have a polarization in excess of 99° and many would exceed 99.5°.

Some refiners expressed concern about the higher-quality sugars which might be imported by non-refiners for industrial use, but the refiners did not appear to consider that the lower quality sugars, not exceeding No. 16 D.S., posed much in the way of a threat to their market. However, although the refiners did not feel threatened by the sugars not exceeding No. 16 D.S., the rates which they proposed for these, when imported by others than refiners, would be prohibitive.

If the wording of the existing items were appropriately changed only by substituting another colour standard for the Dutch standard, non-refiners would be entitled to import sugars equivalent to the darker sugars not exceeding No. 16 D.S., at whatever rates were applicable to item 13500-1 and, it should be noted, other internationally recognized colour standards for sugar do exist. Under the wording of items 13400-1 and 13500-1 proposed by the refiners, non-refiners would not be able to import the darker raw sugars nor to purchase them from refiners, at the rates of duty under item 13500-1. The results of adopting the proposals of most of the refiners regarding the wording and rates of duty for items 13400-1 and 13500-1 are illustrated below.

	Polarization of Raw Sugar			
	96°	97°	98°	99°
	B.P. duty in cents per 100 lbs.			
Under existing item 13500-1	28.712	29.688	30.664	31.64
As proposed for item 13500-1(a)	Free	Free	Free	Free
As proposed for item 13400-1(a)	99	101	103	109

(a) Proposed by Atlantic, C. & D. and Cartier; St. Lawrence proposed rates of 4.6¢ to 4.9¢ under item 13500-1 depending on polarization, and a rate of \$1.09 under 13400-1, regardless of polarization

Under the existing items and rates, non-refiners can import B.P. raws not exceeding No. 16 D.S., of polarizations from 96° to 99°, inclusive, at rates rising from about 29 cents to 32 cents per 100 pounds; if only the refiners' proposed change in the wording of the relevant items were implemented, the duty on these sugars to non-refiners would be increased to 99¢ to 109 cents per 100 pounds; if only the rates proposed by the refiners for item 13500-1 were implemented, non-refiners could import these sugars free of duty. Thus, the effect of the refiners' proposals would be that they could import these darker raws free of duty, under their proposals, but the small amounts purchased by industrial users from refiners would be dutiable at very much higher rates, although these sugars are not competitive with any products produced by refiners and, as the statements of C. & D., St. Lawrence and Atlantic clearly indicate, they are purchased entirely from the refiners, themselves.

St. Lawrence commented, as follows, on the difficulties involved in supplying darker sugars to industrial users at the lower rates which now apply to sugars not exceeding No. 16 D.S.

"... if we are to have a criterion like this [sulphated ash content] that determines whether a sugar falls under 134 or 135 unless it is used for refining purposes, this criterion must be well removed from the analysis of the general run of raw sugar; otherwise, the operation of bagging this sugar off and running samples up to the Lab all the time to make sure that what is going into the bag to be resold to the consumer does not contravene the Tariff makes it a very very awkward miserable business ... We realize there is an element of less protection to the refiner, but I don't think it's a thing we need to worry about quite as much as some of our friends in the industry would have us think." (Vol. 3, p. 339, 340)

The C. & D. spokesman said "it is only very rarely to-day that we are getting sugar below 16. Very rarely." In reply to a question he also said, "the proportion of our sales represented by sales of raw sugar is really minute." (Vol. 1, p. 196, 197)

Although users such as meat packers, feed manufacturers and tobacco processors could have imported such darker sugars directly, under the existing provisions and lower rates of item 13500-1, none appears to have been so imported. This is not surprising in view of the small quantities involved and the services performed by refiners. A small cargo would be about 3,000 tons, or more than three times the apparent total quantity of such raw sugars actually used annually. Moreover, in the light of the comments of C. & D. and St. Lawrence, regarding the difficulty of finding sugars not exceeding No. 16 D.S. in their warehouses, it might be very difficult to purchase a whole cargo of such darker sugars.

Semi-refined Sugars (Plantation Whites)

In many of the less-developed countries which produce cane sugar, semi-refined sugars are widely sold for household use; they are known by such names as "mill whites" "plantation whites" and "turbinados". These sugars contain less sucrose and are darker than the refined sugars sold in most of the developed western countries but, when manufactured under hygienic conditions, pose no hazard to health. The minimum polarization of sugars such as plantation whites exceeds 99° and many would exceed 99.5° .

Mill whites or plantation whites tend to have a greyish colour compared with fully refined sugar, are slightly less sweet, and the non-sugars which have not been extracted during processing may give them a slightly different, though not unpleasant, flavour. Some of these sugars are used by Canadian wineries (Vol. 8, p. 1287) and might be used by manufacturers of sugar-containing products such as soft drinks, jams and confectionery although it might be necessary to treat them in some way before use. (Vol. 8, p. 1369, 1370)

The recommended standards of the Codex Alimentarius Commission of the F.A.O. and the World Health Organization, of the United Nations, are given in "The Products" section. The principal differences between the recommended minimum standards for white sugar and plantation whites is in respect of minimum polarization (99.7° and 99.5° , respectively) and colour (60 ICUMSA units and 150 ICUMSA units, respectively). It is noteworthy that the ICUMSA units provide an internationally accepted standard of colour for sugar.

Sugars with a minimum polarization of 99.5° , as in the recommended standards for plantation whites, if imported by non-refiners, would be subject to the rates of item 13400-1, which apply also to fully refined sugar. This circumstance, together with the convenience of purchasing refined sugars from Canadian refiners, has prevented their importation by industrial users other than wineries.

The quantities which would be involved in single cargoes and the hazard of price changes between the time of purchase and the arrival of the cargo, are two major limitations to the direct importation of plantation whites by users. Additional costs would be involved in providing storage and, possibly, in the installation of washing and filtration facilities for sugars which required such treatment before use. Thus, although plantation whites do not appear to be a threat to Canadian refiners, they approach refined sugar in composition and are more likely to be used on a large scale by manufacturers than are sugars not exceeding 99° polarization. For the lower polarization sugars, those not exceeding 99° , the use of the Dutch standard appears to have been of little significance in determining the extent of their use, although the colour standard has made such sales by refiners an "awkward miserable business" in the view of the St. Lawrence spokesman, because so little of the imported raws are so dark in colour as not to exceed No. 16 D.S. A spokesman for C. & D. said "it is only rarely to-day that we are getting sugar below 16." (Vol. 1, p. 196)

The brief of Mr. R.W.M. Austin discussed the use of plantation whites in the manufacture of food products which have the capacity of absorbing the characteristic taste which such sugars sometimes have. The brief noted that these sugars can be purchased at a lower cost than the fully refined sugars produced by Canadian refiners and their use would benefit manufacturers who could use them. Mr. Austin claimed that "the Sugar Cartel have over the past 15 years, succeeded in blocking importation into Canada of this type sugar other than for refining" (Vol. 8, p. 1428), but he submitted no evidence, at the hearing, to support this view.

However, the Restrictive Trade Practices Commission dealt with this subject, at some length, in its report on the eastern Canada refiners; some quotations are reproduced below.

"The evidence obtained in the inquiry shows that raw sugar may be used as a substitute for products of the sugar refining industry in some processes in the beverage and food processing industries. There is a recognized trade in such sugars which are carried through further stages of washing in the cane sugar producing areas than the raw sugar supplied to refiners and are thus referred to as "washed raws" or "light raws". The process may be carried further to a stage referred to as "plantation whites". When such sugars are purchased by beverage or food processors the raw sugar may be further washed by the purchaser to remove impurities.

"... During the summer of 1953 there was correspondence between the Czarnikow offices in London and Canada about the supply of plantation whites to food processors in Canada. On July 31, 1953 Sir William Rook of Czarnikow Limited, London wrote to the company's Canadian subsidiary:

'Thank you for your letter of the 28th July.
We have advised our own friends in Barbados that we prefer not to handle whites for Canada. They thoroughly understand the position and accept it. Please keep us informed, however, of any further business which is done.'

(ATF 0053, 18464)

In a letter to Mr. W.J. McGregor [of C. & D.] on March 22, 1954, Sir William Rook wrote, in part, as follows:

"... The reason I am writing to you personally today is that I am told there are reports circulating in Montreal that Czarnikows are not doing everything they can to keep the Canadian market free of imported white and refined sugars. This is most surprising in view of the fact that I have personally taken the lead in trying to persuade West Indians and others that the proper course for Commonwealth Producers to pursue was to avoid any sales of shipments which might clash with Refiners' interests.

"When I was with you in Montreal I sent a long cable to the London Representative of B.W.I.S.A. pointing out how strongly I felt that this was in the interests of B.W.I. Producers, and my cable was forwarded, also by cable, to B.W.I.S.A., and was acted upon by that organisation. Since that time we have been approached by various people asking us to sell sugar to Manufacturers, but we have always replied that we felt we should be acting unwisely if we attempted to compete with Canadian Refiners, and that, moreover, this would be contrary to the interests of the raw sugar Producers themselves."

In the "Conclusion" of the report, the Commission comments on these activities as follows.

"The eastern refiners received further protection from the practice of sugar producers in potential areas of supply refusing to make available types of semi-processed sugar which could be used by certain manufacturers. Such restriction was encouraged by C. & D. through its relationship with sugar brokers."

(RTPC No. 4, p. 245, 247, 249, 250, 313)

The Regulations Under the Food and Drugs Act

The regulations under the Food and Drugs Act can have an important bearing on Canada's domestic and international trade in sugars. As noted in the section on "The Products", "sugar" in Canada must be at least 99.8 per cent sucrose; under the recommended standards of the Codex Alimentarius, the minimum polarization of white sugar is 99.7⁰, essentially 99.7 per cent sucrose. The regulations also provide that only sugar, as defined in the regulations, may be used in the production of certain food products.

The fact that the Canadian standard for "sugar" exceeds the recommended standard of the Codex Alimentarius would probably be of little importance as a non-tariff barrier, because most countries which might export refined sugar to Canada would have no difficulty in producing sugar which exceeded the Canadian regulations. However, the provisions, under the Food and Drug Regulations, that only "sugar" may be used in the manufacture of certain food products may prohibit the use of completely safe and suitable sugars of a lesser purity and raises the issue whether or not this standard is unnecessarily high in some instances; Canadian refiners produce no white sugars whose sucrose content is less than 99.8 per cent, at least partly because such products could not be labelled "sugar" and partly because the demand for them may be small.

The recommended standards of the Codex Alimentarius and the discussions at the public hearing suggest that industrial users and perhaps some ordinary consumers, would welcome an opportunity of using sugars which were somewhat less pure than is required by the existing regulations. The Industrial Users were more concerned that tariff rates should not be so high as to make the use of sugars like plantation whites too costly relative to sugar as defined in the Canadian

regulations. Their spokesman made the following comments at the hearing:

"We understand this Board has been told that it is against Food and Drug Regulations to use sugar of the analysis of raws for human consumption. Frankly, we don't know if this prohibition also applies to turbinados or to plantation whites ... However ... we can only suppose it means that we are prohibited from using this sugar directly in our process without any change, purification or filtration. We submit, Mr. Chairman, that irrespective of whether this is the case or not and irrespective of whether the Food and Drug Authorities will allow us to use these sugars or not, and irrespective of whether the Canadian Industrial Sugar Users can, by themselves, change the properties of any of these sugars to make them acceptable in new form to the Food and Drug Directorate, the Food and Drug Directorate alone and the Pure Food Laws of this country should be the only ones to regulate what the Food Industry should or should not use. It does not seem to us that this should be within the purview of the sugar refiners or the Department of National Revenue.

We think it should be said that many products in their raw form would be prohibited by Food & Drug for human consumption in that form, but when further processed by industry they can be made entirely acceptable.

The very refining of raw sugar itself is a classic example." (Vol. 8, p. 1332, 1333)

Aid to Developing Countries

An important aspect of the regulations and of the existing tariff items and rates of duty, together, is that they tend to be in opposition to the position taken by Canada with respect to the objectives of the United Nations Conference on Trade and Development (UNCTAD). The sugar industries of five developing countries, Fiji, Mauritius, Swaziland, Uganda and Cuba, were represented, individually, at the public hearing; in addition, the West Indies Sugar Association acted on behalf of the sugar industries of Antigua, Barbados, Guyana, Jamaica, St. Kitts and Trinidad. Fiji, Mauritius, Swaziland, Uganda, Cuba and Guyana are all known to produce either plantation whites or very similar sugars.

To the extent that the Canadian food regulations and Customs Tariff discourage the entry of higher quality sugars from these countries, they deprive developing countries of a market for more highly processed goods. In the case of sugars such as plantation whites, these provisions may hamper the industrialization of some of these countries with respect to products where they have natural advantages and, therefore, are most likely to achieve some permanent benefits. Dr. Barbara Ward writes in "World Poverty - Can it be Solved",

"... the tariff structures of the developed world are designed to prevent local processing and local manufacturing in the developing world. In every case, the lowest tariffs or zero tariffs, are imposed on raw materials. As soon as those raw materials are worked up a little locally, up go the tariffs. And if by chance local industry develops so far that it can produce manufactures, then the tariffs rise further still and if tariff barriers are still insufficient, on go the quotas.

"Thus, by a series of steps, which begin with the depressed condition of the many primary prices and go on through discriminatory structures up to the quota system, international trade is, as it were, always biased towards the interest of those who are already rich, and biased against the interests of those who are really poor." (page 31)

In general, the Canadian refiners considered that the preferential margin of the Canadian rates under item 13500-1 provided for some element of foreign aid; the developing countries, on the other hand, tended to view the margin as being part of reciprocal trade arrangements for which concessions had been made to Canada in the course of trade negotiations. The refiners claimed that it was anomalous that arrangements which were designed to aid developing countries should also be extended to countries like Australia and the Republic of South Africa; Australia and South Africa opposed such a view on the same grounds, that is, that the British preferential margin had been extended to them on a quid pro quo basis.

It was agreed that the preferential margin results in higher returns to B.P. suppliers, though the various parties disagreed as to whether the margin was larger than was necessary to attract regular supplies of B.P. sugar in the course of usual commercial transactions. There was also no disagreement regarding the need of aid by the developing countries; the refiners' objections to aid being given by way of enhanced prices of sugar (in their view) was that it was paid by only one group of Canadians, the consumers of sugar, and not by the public at large.

The submissions of the Commonwealth developing countries and of Cuba, the only M.F.N. developing country represented, clearly indicated their generally very great dependence on earnings from sales of sugar both in relation to total exports and as a proportion of gross national product. Except that Cuba urged that it be permitted easier access to the Canadian market, no proposals were placed before the Board with respect to preferential rates for sugar originating in developing countries.

MOLASSES

The term molasses is used to describe two groups of products which differ in their composition, the way they are produced, their value and use. Edible molasses, which includes principally products known as fancy molasses and Barbados molasses is derived from sugar cane juice from which sugar has not been extracted. After minor processing operations which may include filtering and blending, it is used for direct human consumption and also in the manufacture of products such as bakery goods and confectionery. Under the regulations pursuant to the Food and Drugs Act "fancy molasses" is defined as follows; it

- "(a) shall be the syrupy food obtained by the evaporation and partial inversion of the clarified or unclarified sugar cane juice from which sugar has not been previously extracted;
- (b) may contain sulphurous acid or its salts;
- (c) shall not contain more than
 - (i) 25 per cent moisture, and
 - (ii) 3 per cent sulphated ash"

It is noteworthy that the maximum sulphated ash content, in the regulations, of three per cent, is much less than the maximum specified in item 13700-1, of nine per cent. Edible molasses is often priced at one dollar or more per gallon compared with 15 to 20 cents a gallon for inedible molasses, f.o.b. country of origin.

Blackstrap molasses is generally considered to be inedible; it is a by-product of the production of raw cane sugar but the term may also refer to final or refiners' molasses, a by-product of the refining of cane sugar; both products are used for the same purposes. Blackstrap molasses is produced from the residual sugar cane juice from which most of the sugar has been extracted. The efficiency of the extraction processes of sugar mills in Australia, South Africa and other countries results in a molasses which has a relatively low percentage of contained sugars; the relative inefficiency of the extraction process, in Jamaica, results in a molasses whose contained sugars may be sufficiently high to prevent its classification under item 13600-1.

Although almost all of the blackstrap and refiners' molasses is for non-human consumption, some insignificant amounts are used by food faddists and others. If intended for human consumption, the product would have to be prepared under hygienic conditions which were accepted by the Department of Health and Welfare as being appropriate for this purpose and the Department would have to be satisfied that the product presented no hazard to health.

Beet molasses corresponds to the final molasses of a cane sugar refinery. In Western Canada, considerable quantities of beet molasses are mixed with beet pulp to produce dried molasses beet pulp, an animal feed which contains about 25 to 30 per cent, by weight, of molasses.

The principal uses of inedible molasses (cane and beet) are in animal feeds and the production of alcohol and yeast. Cane molasses is preferred to beet molasses in animal feeds, because of the latter's unpleasant flavour; beet molasses is preferred for the manufacture of yeast because it produces a whiter product. In central Canada, at any rate, beet molasses is usually priced higher than cane blackstrap because of the demand for it for use in the production of yeast.

Refiners' molasses and beet molasses are produced in Canada; other blackstrap molasses and edible molasses are not. Molasses for use in animal feeds may be dried and made into a powder for mixing with other ingredients but no dried molasses powder is produced in Canada.

Inedible cane molasses, in which the total of reducing sugars after inversion is less than 71 per cent of total solids, is imported under tariff item 13600-1; when total reducing sugars are 71 per cent or more of total solids, both beet and cane molasses would be entered under item 13505-1, if imported in bulk, as they ordinarily would be. Beet molasses containing the lesser percentage of reducing sugars is entered under tariff item 13650-1, most edible molasses under item 13700-1 and molasses powder under item 13705-1. Item 14000-1, the residual item, includes, inter alia, inedible cane and beet syrups where the reducing sugars after inversion exceed the criteria of items 13600-1 and 13650-1 and which are imported in receptacles whose gross weight, inclusive of contents, does not exceed 60 pounds.

The relevant tariff items are reproduced below.

<u>Tariff Item</u>	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
13505-1 Invert sugar, and syrups the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, in which the percentage of the total of reducing sugars after inversion is seventy-one per cent or greater of the total solids by weight, not including syrups in receptacles of such size that the gross weight of the receptacle and contents does not exceed 60 pounds:			
When the total of reducing sugars after inversion is equivalent to not more than sixty-five per cent by weight of the total syrup			
per one hundred pounds	68 cts.	\$1.23	\$1.23

<u>Tariff Item</u>		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
	When the total of reducing sugars after inversion is equivalent to more than sixty-five per cent, but not more than seventy per cent by weight of the total syrup			
	per one hundred pounds	74 cts.	\$1.33	\$1.33
	When the total of reducing sugars after inversion is equivalent to more than seventy per cent by weight of the total syrup			
	per one hundred pounds	83 cts.	\$1.50	\$1.50
13600-1	Syrups, the product of the sugar cane, in which the percentage of the total of reducing sugars after inversion is less than seventy-one per cent of the total solids by weight			
	per gallon	Free	1 ct.	1½ cts.
	GATT			
Ex.	Molasses of cane, testing by polariscope under thirty-five degrees but not less than twenty degrees			
	per gallon		1 ct.	
13650-1	Syrups, the product of the sugar beet, in which the percentage of the total of reducing sugars after inversion is less than seventy-one per cent of the total solids by weight			
	June 4, 1969	per gallon	1 ct.	7 cts.
	Jan. 1, 1969	per gallon	3 cts.	7 cts.
	Jan. 1, 1968	per gallon	4 cts.	7 cts.,
	From April 6, 1955 to January 1, 1968, these syrups were dutiable under tariff item 14000-1 at the following rates:			
	per gallon	5 cts.	6½ cts.	7 cts.
13700-1	Molasses, produced by the evaporation and partial inversion of the juice of the sugar cane, in which the percentage of sulphated ash is not more than nine per cent by weight, for human consumption only			
	per gallon	Free	1 ct.	1½ cts.
13705-1	Molasses powder, without admixture or with added colouring or anti-caking agent			
	per one hundred pounds	35 cts.	45 cts.	50 cts.
14000-1	Syrups, the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, n.o.p.			
	per gallon	5 cts.	6½ cts.	7 cts.

Tariff items 13505-1, 13600-1 and 13650-1 refer to "the total of reducing sugars after inversion". The sugar originally contained in sugar cane and sugar beets is sucrose but molasses and other cane and beet syrups contain varying amounts of invert, a reducing sugar, which has been converted from sucrose during the production processes or in storage. Because a polarimeter cannot determine the percentage of contained sugars in a product which contains a mixture of sucrose and invert sugar, the usual method of determining the percentage of contained sugars is to convert all of the contained sucrose in a sample of the syrup to invert and to then determine "the total of reducing sugars after inversion", the wording used in tariff items 13505-1, 13600-1 and 13650-1. The results of this determination can be applied to the total syrup or to the total solids contained in the syrup.

The following tabulation shows the relationship of the various tariff items which apply to syrups of cane or beet, in summary form; although non-human consumption is not specified in items 13600-1 or 13650-1 imports under these items for human consumption are either non-existent or insignificant.

Total per cent of contained
reducing sugars, after
inversion:

	<u>Cane</u>	<u>Beet</u>	<u>B.P.</u>	<u>M.F.N.</u>
	relevant	item	cents per	gallon
Less than 71% of total solids	13600-1		Free	1 ct.
		13650-1	1 ct.	1 ct.
71% or more of total solids				
gross wt. up to 60 lbs. (a)	(a) 14000-1	14000-1	5 cts.	(b) 6½ cts (b)
gross wt. more than 60 lbs. (a)	13505-1	13505-1	8.61 cts.	17.22 cts.
				per 100 lbs.
Molasses powder	13705-1	13705-1	35 cts.	45 cts.
			<u>For Human Consumption Only</u>	
			cents per gallon	
No specification for contained sugars - sulphated ash not more than 9%	13700-1	-	Free	1 ct.

(a) See relevant tariff items for full description

(b) Approximate minimum rate, assuming 14 pounds per gallon; rate shown is for imports under the West Indies Trade Agreement

As would be expected, item 13600-1 relates to most, or all, of the inedible cane molasses imported into Canada, item 13650-1 to the beet molasses and item 13700-1 to the edible molasses.

The following table shows the relative importance of the various tariff items for the years 1967, 1968 and 1969.

Table 57 : Imports of Syrups and Molasses, Within the Terms of Reference 146, by Tariff Item 1967-69

	<u>13505-1</u>	<u>13600-1</u>	<u>13650-1</u>	<u>13700-1</u>	<u>13705-1</u>	<u>14000-1</u> ^(a)
		-	thousand dollars	-		
<u>1967</u>						
B.P.	7	3,727	-	849	-	76
M.F.N.	<u>1</u>	<u>1,813</u>	<u>-</u>	<u>752</u>	<u>23</u>	<u>32</u>
Total	8	5,540	-	1,601	23	108
<u>1968</u>						
B.P.	10	2,584	-	1,050	-	61
M.F.N.	<u>-</u>	<u>1,262</u>	<u>-</u>	<u>686</u>	<u>46</u>	<u>62</u>
Total	10	3,846	-	1,736	46	123
<u>1969</u>						
B.P.	10	2,366	-	597	-	44
M.F.N.	<u>2</u>	<u>877</u>	<u>24</u>	<u>455</u>	<u>40</u>	<u>13</u>
Total	12	3,243	24	1,052	40	57

Note: Imports under item 13600-1 are mostly of cane blackstrap, under item 13650-1 of inedible beet molasses, under item 13700-1 of edible cane molasses, and under item 13705-1 of molasses powder

(a) In 1967 and 1968 includes beet molasses

Source: DBS

In recent years, two-thirds or more of the inedible cane molasses has been imported under the B.P. Tariff; all of the relatively small imports of beet molasses and dried molasses powder have been under the M.F.N. Tariff, from the U.S.A. All Canadian supplies of edible molasses are imported, mostly from Barbados which supplies 50 to 75 per cent of the total; the Dominican Republic supplies most of the remainder.

Data relating to molasses are published in gallons, pounds and tons. In commerce, the accepted conversions are 14 pounds per imperial gallon and 142.86 imperial gallons per short ton; these are the conversions used in this report.

Inedible Molasses

All or almost all the blackstrap cane molasses which is imported into Canada is the by-product of sugar mills. It is imported in bulk in tankers and is stored in large tanks. The product is ordinarily sold without further processing and contains around 50 to 55 per cent of reducing sugars after inversion and 20 to 25 per cent of water. For use by distillers in the production of alcohol a minimum of about 52 per cent of contained sugars is required; for use in the manufacture of animal feeds the contained sugars must be at least 48 per cent in order to meet the requirements of the regulations under the Feeding Stuffs Act. Imported blackstrap molasses contains a slightly higher percentage of sugars than the refiners' or final molasses which is the by-product of Canadian cane sugar refineries. Assuming a water content of 23 per cent and a total solids content of 77 per cent, the maximum percentage of contained sugars, in molasses qualifying for entry under tariff item 13600-1, would be 54.6 per cent.

A "high-test" molasses is sometimes used by distillers and pharmaceutical manufacturers. If imported into Canada, in bulk, it would be entered under item 13505-1 at a minimum of about 8.61 cents per gallon, B.P. and 17.22¢ a gallon, M.F.N.; it is of very minor, or negligible, commercial importance in Canada, possibly because of the high rate of duty relative to imports under item 13600-1. This product is, apparently, made from cane juice from which sugar has not been extracted and would be classified under item 13700-1 if imported for human consumption.

Canadian Consumption

Canadian use of inedible molasses increased from about 25 million gallons in 1960 to 31 million gallons in 1965. In the latest three years for which data are available, 1966 to 1968, consumption has averaged about 35.4 million gallons per year with an estimated value of \$6.3 million. About 10 million gallons per year, 28 per cent of the total, is Canadian refiners' and beet molasses.

Table 58: Supply and Use of Inedible Molasses, 1964-68

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
	- million gallons				
Cdn. shipments					
beet	8.3	7.5	7.5	7.7	6.4 ^(a)
cane	<u>2.1</u>	<u>2.7</u>	<u>2.9</u>	<u>2.6</u>	<u>3.0^(a)</u>
total	10.4	10.2	10.4	10.3	9.4
Imports	<u>21.1</u>	<u>22.5</u>	<u>26.0^(b)</u>	<u>26.8^(b)</u>	<u>26.0</u>
Total supply	31.5	32.8	36.5	37.1	35.4
Exports	<u>1.4</u>	<u>1.7</u>	<u>1.1</u>	<u>1.0</u>	<u>0.6</u>
Dom. consumption	30.2	31.1	35.4	36.1	34.9
<u>Estimated Use</u>					
Animal feed ^(c)	10.7	12.1	15.2	15.6	15.8
Alcohol	5.6	6.8	5.9	8.0	8.2
Mfr. of yeast ^(d)	3.9	3.8	3.8	4.0	4.1
Unaccounted	10.0	8.4	10.5	8.6	6.9

(a) Cane molasses estimated on basis of 1 gallon per 630 pounds of cane sugar shipped; beet molasses estimated by subtraction

(b) 5.1 million gallons entered in January 1967 were deducted from the 1967 reported figure and were included in 1966 imports

(c) Includes purchases by beet sugar refineries

(d) Includes purchases by Flour Mills and Miscellaneous Food Industries

Source: DBS, various publications and U.S. trade statistics

In Canada, the principal use of molasses is for the manufacture of prepared animal feed; in 1968, this use accounted for 45 per cent of the total. It should be noted that the quantities of molasses shown in the table, for use in animal feed, exclude beet molasses which was added to beet pulp, to make dried molasses beet pulp, often called DMBP.

The second most important use of molasses is by distillers for the manufacture of alcohol; the only other major use is for the production of yeast.

As the table indicates, a relatively large part of the total use is unaccounted for in the published statistics. The Board was informed that the three major uses shown in the table would account for most of the molasses used in Canada; apart from these, no other significant use is known to the major distributors. It was suggested that most of the residual shown as "Unaccounted" may have been used in animal feeds but was not reported to the DBS. If this explanation is accepted, animal feeds would have accounted for 65 per cent of the total use of inedible molasses in Canada, in 1968.

The supply of domestically produced refiners' cane molasses is relatively stable and reflects the production of refined cane sugar in Canada. Supplies of beet molasses also do not vary greatly. However, imports have varied considerably during certain periods because world supplies and prices show considerable variation. In years of poor crops of sugar cane, supplies of blackstrap molasses are small and prices are generally high, resulting in the substitution of other materials for molasses in many uses.

Canadian Distributors

Beet molasses is sold in the Canadian market by the beet sugar factories either as beet molasses or as DMBF; these sales are made directly to the users. Five companies distribute cane molasses in Canada; these companies, with the locations of their storage facilities are listed below.

Pacific Molasses Limited ^(a)	Vancouver, B.C.
The Canada West Indies Molasses Co. Ltd. ^(a)	Montreal, Que; Toronto, Ont.
Imperial Molasses Limited ^(b)	Montreal, Que; Hamilton, Ont.
Dominion Molasses Limited ^(b)	Dartmouth, N.S.
Crosby Molasses Co. Limited	St. John, N.B.; Halifax, N.S.

(a) Tate and Lyle subsidiary

(b) SuCrest Corporation subsidiary

Pacific Molasses Limited is a wholly owned subsidiary of the Pacific Molasses Company, a major distributor in the United States, which, like the Canada West Indies Molasses Company Limited, is a wholly owned subsidiary of United Molasses Company Limited, a British company wholly owned by Tate and Lyle Limited. Dominion Molasses Limited and Imperial Molasses Limited are wholly owned by, and operated as, divisions of Grandma Molasses Ltd., a wholly owned subsidiary of the SuCrest Corporation, a U.S. company. Taking these corporate relationships into account, there are two major companies and one minor unrelated company which distribute cane molasses in Canada. The reference in the brief of Imperial Molasses to "the two molasses distributing companies who currently handle virtually all this commodity" (Vol. 10, p. 1684), suggests that Crosby Molasses is a minor distributor of blackstrap. Both Dominion and Crosby import and distribute edible molasses whereas the others deal in inedible molasses.

There is little regional competition between the cane and beet molasses produced in Canada. Virtually all of the refiners' molasses is sold on behalf of the sugar refiners by the same companies as import blackstrap cane molasses. Freight rates on this low-value product prevent inedible cane molasses from penetrating into the Prairie markets and competing with the beet molasses produced by the beet sugar factories in Manitoba and Alberta, and prevent Prairie beet molasses from entering eastern markets. The beet sugar factory in Quebec sells 90 to 95 per cent of its molasses for use in the manufacture of yeast. (Vol. 5, p. 755) Because beet molasses commands a premium price relative to cane blackstrap for this use, it pays this factory to sell its beet molasses and to purchase cane molasses for mixing with beet pulp to produce dried molasses beet pulp.

Thus, for all practical purposes, Pacific is the only distributor of cane molasses west of Ontario and subsidiaries of B.C. Sugar Refining are the only distributors of beet molasses in this region. East of Manitoba, companies associated with Tate and Lyle and SuCrest are virtually the only suppliers, according to the brief of Imperial Molasses. In the Atlantic Provinces, Crosby Molasses constitutes a third supplier.

Imports

In the six years, 1964-69, imports of inedible molasses have varied between 21 and 27 million gallons, valued between \$2.2 million and \$5.0 million, annually. Except in unusual years, the Commonwealth Caribbean area supplies about one-half the total and all B.P. sources, together, about two-thirds of the total. Guyana, and Trinidad and Tobago, are the principal suppliers and, in most recent years, have accounted for almost all of the inedible molasses originating in the Commonwealth Caribbean area. Mexico, Puerto Rico and the U.S.A. are the principal M.F.N. suppliers of the Canadian market.

Molasses is imported into British Columbia only from the U.S.A. and was said to be cane blackstrap from Hawaii. (Vol. 10, p. 1754) Imports directly into the Prairie Provinces are small and are thought to be of beet molasses from adjacent U.S. states. Almost all imports from the U.S.A. are to the four western provinces. Imports into Ontario, Quebec and the Atlantic Provinces originate in all of the countries mentioned in the following table.

No Jamaican blackstrap molasses has been imported into Canada since 1957. This is attributed to the difficulty of ensuring that the contained sugars do not exceed the criterion for entry under tariff item 13600-1. If the contained sugars exceeded this limit the molasses would be classified under item 13505-1. The lowest rate applicable to Jamaican molasses, under the West Indies Trade Agreement, is 61.5 cents per 100 pounds or about 8.61 cents per gallon; under item 13600-1, the rate is Free. In 1969, the 8.61 cents per gallon was equivalent to an ad valorem rate of about 55 p.c., calculated on the unit value of total imports of inedible molasses in that year.

Table 59: Imports^(a) of Inedible Molasses by Principal Country of Origin, 1964-69

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
		-	thousand	gallons	-	
Guyana	2,515	2,581	6,922	6,104	7,091	4,296
Trinidad & Tobago	6,535	7,264	11,235	5,719	5,763	6,336
Barbados	1,476	-	-	-	278	1,628
Lee. & Windward	-	840	280	609	-	-
sub-total	10,526	10,685	18,437	12,432	13,132	12,260
Other B.P. ^(b)	4,298	4,975	-	4,603	3,627	3,192
Total B.P.	14,824	15,660	18,437	17,035	16,759	15,452
Mexico	-	1,560	1,730	2,750	4,546	3,452
Puerto Rico	4,013	1,470	2,528	4,874	2,036	1,047
U.S.A.	1,356	2,543	1,805	2,081	2,679	1,563
Other M.F.N. ^(c)	924	1,295	1,540	95	-	-
Total M.F.N.	6,293	6,868	7,603	9,800	9,261	6,062
All Countries	21,118	22,528	26,040	26,836	26,020	21,514
		-	thousand	dollars	-	
Commonwealth Caribbean	1,774	1,024	2,386	2,517	2,127	2,021
Total B.P.	2,337	1,422	2,386	3,229	2,584	2,453
Total M.F.N.	1,186	763	1,161	1,783	1,467	928
Total Imports	3,524	2,185	3,547	5,011	4,051	3,381

(a) Partly estimated

(b) Mauritius, South Africa, Pakistan

(c) Dominican Republic, Guatemala

Source: DBS, Cat. No. 65-007 and special tabulations

The Market for Inedible Molasses

Montreal is the principal centre for the storage, blending and distribution of molasses. It is the location of three sugar refineries, Canada and Dominion, St. Lawrence and Cartier, and it is the port of entry for about 60 per cent of all inedible molasses imported into Canada and for nearly two-thirds of the molasses imported into Eastern Canada. The Toronto-Hamilton area accounts for 26 to 28 per cent of total molasses imports and is the site of only one refinery, that of Canada and Dominion, at Toronto.

Beet molasses is sold directly by the beet sugar factories and, in Quebec, enters into special uses in which it commands a premium price. As noted, Alberta and Manitoba molasses are insulated from the competition of cane molasses by the high cost of freight relative to the value of the product. Therefore, to a degree, beet molasses is not directly competitive with the cane molasses sold by Canadian importers. Most cane sugar refineries use part of their own molasses in the manufacture of various yellow and brown 'soft' sugars; their contribution to the Canadian market supply of inedible molasses is about 2.6 to 3.0 million gallons annually. Thus, excluding beet molasses, imports account for more than 90 per cent of the inedible molasses which enters market channels.

Quebec and Ontario, the major market area in Canada, are supplied mainly by two importing companies, both of which have terminals in the Montreal and Toronto-Hamilton areas. Canada West Indies Molasses Company has terminals at Montreal and Toronto and Imperial Molasses, at Montreal and Hamilton. Canada West Indies has much the larger storage facilities and is acknowledged to be the major supplier of this market area. List prices, f.o.b. Ontario terminals, are two cents a gallon higher than f.o.b. Montreal. (Vol. 10, p. 1724) As noted earlier, Pacific Molasses, at Vancouver, is the supplier of imported blackstrap to users in British Columbia and possibly, also to some in the Prairie Provinces. Information given to the Board suggests that Crosby Molasses operates mainly in the Atlantic Provinces, so far as inedible molasses is concerned. Canada West Indies appears to be the dominant distributor of blackstrap molasses in the Eastern Canadian market, apart from the Atlantic Provinces, and Pacific molasses the only distributor west of Ontario -- both are members of the Tate and Lyle group of companies.

The nature and extent of the competition in sales of molasses in the Quebec-Ontario market was the subject of an inquiry reported in the "Report of the Director for Investigation and Research, Combines Investigation Act, for the Year Ended March 31, 1958" which notes that:

"The evidence disclosed that the parent company of the company complained about exercised a virtual monopoly over the purchase of blackstrap in the British West Indies, by reason of ownership or other control over the dockside storage facilities and the transportation facilities to the docks, of the major producing islands. The parent company shipped blackstrap to Canada where it was distributed by the Canadian subsidiary which for many years had exercised a virtual monopoly of the trade in Eastern Canada. Between 1950 and 1953, small quantities of blackstrap in drums were imported into Canada from some of the smaller islands in the British West Indies by a man who later became an officer of the complaining company. He also, during this period, tried to obtain bulk supplies from all the major producing islands in the British West Indies but was informed by the producers that their supplies were committed to the company complained about. In 1953, however, he was able to obtain some bulk supplies in the Barbados. He then incorporated the complaining company and leased storage tanks in the vicinity of Montreal into which such supplies were received...

The evidence also disclosed various steps taken by the company complained about to embarrass the complaining company, such as attempts to prevent it from obtaining shipping and storage facilities."

As the Report of the Director indicates, the ownership of dockside storage facilities and ships suitable for the transportation of molasses are important elements in the trade in molasses. The discussion at the public hearing suggested that some of these factors, which have led to sales of molasses to only a few buyers, may be

essentially unchanged at the present time. (Vol. 6, p. 975, 976; Vol. 10, p. 1714) If this is so, then Imperial Molasses would have as little access to Commonwealth Caribbean molasses now, as it did in the period 1953-58.

Apart from Barbados, the trade in blackstrap molasses in the B.P. countries of the Caribbean appears to be largely under the control of the United Molasses Company. Recent reports on the sugar industries in Jamaica and Guyana both refer to the United Molasses Company as the purchaser of exported molasses and statements made at the hearing support this view. For example, a spokesman for the West Indies Sugar Association said, "we have an arrangement by which the United Molasses Company ... puts up a proposal to us each year, and we accept that proposal or negotiate on it as we consider fit ..." (Vol. 6, p. 976) The United Molasses Company also owns tankers and operates subsidiaries in Guyana, Trinidad, Jamaica, Mauritius, South Africa and India; through Pacific Molasses, a U.S. subsidiary, it also has large operations in the U.S.A.

Barbados blackstrap molasses is sold by tender with the result that the entire crop is usually sold to a large corporation, with appropriate shipping facilities. Apparently neither Imperial Molasses nor Canada West Indies has the local transportation and storage facilities in the West Indies or ready access to ocean tankers to bid for this crop. Canada West Indies is supplied by United Molasses with blackstrap originating mainly in countries entitled to B.P. rates; at the public hearing, Imperial Molasses claimed that it was unable to obtain molasses from B.P. sources, except occasionally from Barbados. United Molasses allocates supplies to Canada West Indies from whichever preferential source has molasses available, when required. In recent years Imperial Molasses has bought from National Molasses, a U.S. company. Thus, Canada West Indies has access to B.P. molasses through United, an affiliated company, while Imperial is supplied mainly with M.F.N. molasses.

U.S. law prevents U.S. companies from purchasing Cuban molasses and a major purchaser of this molasses is United Molasses which ships a large part to Britain where the Customs Tariff does not provide for a Commonwealth Preference on molasses. The loss of Cuban supplies to the U.S. market has resulted in the U.S. as becoming the principal destination of molasses exported by the Commonwealth Caribbean countries.

Prices of Blackstrap Molasses

At the public hearing, Mr. Austin, the original head of Imperial Molasses, contended that prices of blackstrap at Montreal and at Albany, New York, should ordinarily be about the same. On the other hand, a spokesman for the Canada West Indies Molasses Company said there was additional freight cost involved in bringing molasses to Montreal and an added cost of storage during the period when the St. Lawrence was closed to navigation, which would make Montreal prices about 1.5 cents per imperial gallon higher than those at Albany.

Canadian list prices of blackstrap cane molasses have changed only eight times between January 1965 and May 1970, a period of 65 months; during the same period, prices at Albany changed at least 44 times. The U.S.D.A. Molasses Market News, from which Albany prices were abstracted, notes that "Prices represent sales f.o.b. terminal to the general feed trade and do not include sales made under various pricing arrangements above or below prices generally available to the ultimate user". Thus, the published Albany prices are roughly the equivalents of the list prices issued by the Montreal distributors.

A comparison of Montreal and Albany monthly average prices for cane molasses (list and published, respectively), in the 65 months noted above, indicates that Montreal prices were lower than those in Albany in 10 months and were less than two cents a gallon higher in 15 months. In the remaining 40 months Montreal prices were more than two cents a gallon higher than Albany prices and in 15 of these months were more than four cents per gallon higher. To the extent that these prices reflect the actual prices paid by users, prices at Montreal exceeded those at Albany by more than 1.5 cents per gallon in at least 45 of the 65 months, sometimes by substantially more; a 1.5 cent margin over Albany was said to represent additional costs of transportation and storage to Montreal distributors.

Comparable public prices of Canadian beet molasses are not available. However, prices in the U.S.A. suggest the magnitude of the premium paid for beet relative to inedible cane molasses. From the beginning of May to mid-September, 1970, the price of beet molasses, in Oregon, was unchanged at \$U.S.37.00 a ton or 26.7 Canadian cents per imperial gallon, compared with blackstrap cane molasses, f.o.b. U.S. Pacific Northwest Ports at about 21 Canadian cents per imperial gallon, converted at \$1.03 Canadian per U.S. dollar.

Representations

The tariff items which relate to inedible molasses are shown below in abbreviated form together with the existing rates; the items are given in full at the beginning of this section. Item 13505-1, as it relates to molasses, is also shown in abbreviated form; both beet and cane molasses, in which the total of reducing sugars, after inversion, is 71 per cent or more of total solids would be classified under this item, if imported in bulk.

<u>Item</u>	<u>B.P.</u>	<u>M.F.N.</u>
	cents	
13505-1 beet or cane molasses, contained sugars 71% or more of total solids; reducing sugars after inversion as a per cent of weight of syrup:		
65 per cent or less	per gallon 8.61 ^(b)	17.22 ^(a)
over 65% up to 70 per cent	per gallon 9.31 ^(b)	18.62 ^(a)
over 70%	per gallon 10.50 ^(b)	21.00 ^(a)
13600-1 cane molasses, reducing sugars after inversion less than 71% of total solids	per gallon Free	1

<u>Item</u>		<u>B.P.</u> cents	<u>M.F.N.</u>
13650-1	beet molasses, reducing sugars after inversion less than 71% of total solids per gallon	1	1
13705-1	molasses powder per 100 lbs.	35	45

- (a) Assumes 14 pounds per gallon for rough calculation
 (b) For imports under the West Indies Trade Agreement

Most imports are under item 13600-1 and this was the only item concerning which detailed proposals and representations were made.

Three importers and distributors of cane blackstrap proposed changes in tariff item 13600-1. Two of these companies, Canada West Indies Molasses Co. Limited and Pacific Molasses Company Ltd., proposed a change in the wording of the item but no change in the rates; both are members of the Tate and Lyle group of companies. Their proposals, which were identical, urged the changes in the existing wording, underlined in the following:

"Syrups, the product of the sugar cane, for industrial purposes only and not for human consumption, in which the percentage of the total of reducing sugars after inversion is less than seventy-five per cent of the total solids by weight". (Vol. 10, p. 1739; 1753-4)

The change from the existing maximum provision of under 71 per cent to under 75 per cent was said to be designed to make possible the importation of Jamaican blackstrap molasses under the item, without exceeding the limit specified. The other underlined words were added to prevent conflict with the existing provisions of tariff item 13505-1. The change would permit entry for industrial use, of Jamaican and other molasses of a somewhat higher percentage of contained sugars. The spokesman for Canada West Indies said that his company had retained the word "syrup" because of its use in the existing item but would not object to its replacement by "molasses" or "blackstrap molasses"; no other product is now known to be imported under the item.

The spokesman for Imperial Molasses did not oppose the proposed change in wording.

Imperial Molasses, which is largely dependent on M.F.N. sources of supply, proposed free entry under the M.F.N. Tariff in order to improve its competitive position in the Canadian market vis à vis Canada West Indies, which imports most of its molasses free of duty from B.P. sources. Imperial Molasses urged the replacement of the existing item and rates by the following:

"Molasses of cane known as blackstrap molasses when imported for use only in the manufacture of feeds for live-stock, poultry and other animals and for other industrial uses. B.P., Free; M.F.N., Free; General, 1½ cents per gallon". (Vol. 10, p. 1679)

The proposed item specified no limitation based on sugar content. At the public hearing, it was drawn to the Board's attention that there is a "molasses" with a high percentage of contained sugars, specially made for use by distillers and by pharmaceutical manufacturers. This product is not now admissible under item 13600-1 and was not, apparently, intended to be encompassed by the proposal (Vol. 10, p. 1737); it would be entered under item 13505-1, if imported in bulk.

As noted earlier, this "high-test" molasses is made from cane juice which has not been centrifuged and, though not used for human consumption, is similar to edible molasses in this respect. Because of its high percentage of contained sugars, compared with blackstrap, it is higher-priced than blackstrap molasses.

St. Lawrence Sugar Limited, which had filed no proposals for molasses, felt that unrestricted entry with respect to sugar content, under the blackstrap item, might have an adverse effect on the Canadian sugar refiners' market for their final molasses, the percentage of contained sugars in which is slightly below the maximum now allowed under tariff item 13600-1. The spokesman for Imperial Molasses indicated that his company would have no objection to the retention of a specification of a maximum for contained sugars. (Vol. 10, p. 1697)

Although St. Lawrence objected to the absence of a limit on contained sugars in the proposed item, the company spokesman did not indicate why inedible syrups with a greater percentage of contained sugars than 75 per cent of total solids should be dutiable at the very much higher rates of items 13505-1 or 14000-1. The discussion indicated that some distillers now purchase inedible molasses on the basis of the percentage of contained sugars. It is unlikely that anyone selling specially prepared molasses or syrups, the percentage of contained sugars in which exceeds the limits proposed for item 13600-1, would sell them without taking this into account.

As the above indicates, the proposals of the Canadian importers were not in conflict, except in respect of rates.

The spokesman for the Canada West Indies Molasses Company, a subsidiary of United Molasses, argued that the parent company of Imperial, SuCrest, could purchase B.P. molasses in the Caribbean area as readily as could its own parent. He said these supplies were sold by tender and, therefore, were available to anyone who was prepared to make appropriate bids. In effect, he appeared to be opposing free entry under the M.F.N. Tariff.

The "Report of the Director for Investigation and Research, Combines Investigation Act", quoted earlier, stated that the parent company of Canada West Indies "exercised a virtual monopoly over the purchase of blackstrap in the British West Indies, by reason of ownership or other control over the dockside storage facilities and the transportation facilities to the docks, of the major producing islands". Statements made at the public hearing suggested that this situation had changed very little in the intervening years. (Vol. 6, p. 976; Vol. 10, p. 1714) Thus, the implication that only a failure to bid sufficiently high prevented SuCrest from obtaining molasses in the Commonwealth Caribbean area would appear to be an oversimplification of a complex marketing situation.

The spokesman for the West Indies Sugar Association also opposed the elimination of the preferential margin, saying:

"... our written submission did not refer to blackstrap molasses. This was an unfortunate omission, since we appreciate that not only is the commodity being reviewed by the Tariff Board, but we appreciate also that proposals have been put forward to the Board for the elimination of the preference on molasses which, if adopted, would be harmful to the West Indian sugar industries. The preference on molasses is one cent per gallon ... Some 15 million gallons of West Indies molasses are exported to Canada in a normal year. On 15 million gallons a preference of one cent amounts to 150,000 Canadian dollars. It can therefore be seen that the molasses preference is not nearly as significant financially as that on sugar. Nevertheless the same point of principle applies and the West Indies sugar industry would suffer by a reduction in the molasses preference too". (Vol. 6, p. 898, 899)

Although the statement implies that the preferential margin of one cent a gallon accrues to West Indies producers and, therefore, has a value of about \$150,000 annually to them, this is clearly not the case. United Molasses ships the product mainly to the U.S.A. and Britain, the customs tariffs of neither of which differentiate between Commonwealth and M.F.N. molasses; only about 30 per cent, or less, of the total is shipped to Canada. At the time the company bids for the molasses crop of a particular island, the vendor can have no knowledge of the final destination of the molasses and, therefore, is not in a position to bargain for any part of the Canadian preference. In answer to direct questions on this subject the spokesmen of both Imperial and Canada West Indies denied that molasses originating in the Commonwealth Caribbean was priced differently from M.F.N. molasses. (Vol. 10, p. 1729, 1730)

The West Indies, including Guyana, export about 50 million gallons of blackstrap molasses annually. About one-third of this amount, about 17 million gallons, is Jamaican and is exported almost entirely to the U.S.A.; it is not exported to Canada because the percentage of contained sugars is, at times, too high to qualify for entry under item 13600-1. (Vol. 10, p. 1752) About 40 per cent of the balance, approximately 15 million gallons annually, is shipped to Canada and about 20 million gallons, mainly to the U.S.A. and the U.K.; the U.S.A. has been a major purchaser of Commonwealth Caribbean molasses since 1962 when the U.S. banned imports from Cuba.

In recent years molasses originating in M.F.N. countries has constituted from 30 to more than 35 per cent of Canadian supplies. As noted, Imperial Molasses depends mainly on M.F.N. supplies. However, at times, the Canada West Indies Molasses Company has also imported non-preferential molasses because supplies of British preferential molasses were insufficient to supply its requirements. In fact, the insufficiency of existing supplies from the Commonwealth Caribbean was the principal reason cited by the company for proposing the change in the contained sugars specification of item 13600-1. Moreover, the company also informed the Board that the insufficiency of Commonwealth Caribbean supplies had forced it to import molasses from such distant

Commonwealth sources as South Africa, Pakistan, India and Mauritius, at additional cost, as well as using some M.F.N. molasses.

Although a change in the specification relative to contained sugars would increase the potentially available B.P. supply because Jamaican molasses would qualify for entry under item 13600-1, this additional supply might well be available mainly, or even entirely, to the Canada West Indies Company, leaving the position of Imperial Molasses unchanged and, thus, would increase the latter's disadvantage in the Canadian market. Current imports of M.F.N. molasses exceed nine million gallons annually and about one-half the total Jamaican supply would be needed to displace the M.F.N. molasses currently being imported into Canada, if this was the purpose of the proposal. Most Jamaican molasses is currently exported to the U.S.A.; in 1968, the U.S.A. imported 22.0 million imperial gallons of Jamaican molasses, 95 per cent of the Jamaican exports of molasses and in 1969, 19.9 million imperial gallons 93 p.c. of the exports.

The Canada and Dominion Sugar Company Limited proposed that the word "syrup" be changed to "molasses" in items 13600-1 and 13650-1 and that the words "not for human consumption" be added to item 13600-1. (Vol. 1, p. 39) In reference to item 13600-1, the company said that while it had no great interest in the matter, it felt that "molasses" was a better description of the product than "syrup" and that the additional words would clearly distinguish the goods classified by the item from the edible molasses provided for in item 13700-1.

In this connection, it should be noted that the word "syrup" has a more general meaning than the words "molasses", "blackstrap" or "blackstrap molasses" which usually refer to products which are produced from cane juice, from which sugar has been extracted. Thus, the replacement of the word "syrup", as proposed by C. & D., might prevent the entry, under item 13600-1, of a mixture of blackstrap molasses and syrups made of whole cane juice, which otherwise met the provisions of the item.

C. & D. also noted that the existing preferential margins under item 13600-1 and the GATT extract thereunder, now the same, were bound under the South African Trade Agreement. Both this company and others drew attention to the polariscope limitation of the GATT extract. They said it was meaningless in relation to molasses containing invert sugars, and they recommended its deletion. The extract applies the same M.F.N. rate as is now applicable under the item itself and, they said, seems redundant unless the M.F.N. rate under 13600-1 were to be increased. However, the extract does, in fact, call attention to the binding of the rate.

The other sugar refiners and the beet sugar interests did not propose changes in the wording or rates of duty of any of the items relating to inedible molasses.

The Uganda Sugar Manufacturing Association, while making no specific proposal, said that it had supplies available and that "Any assistance rendered to enable the industry to export molasses to Canada would be very much appreciated". (Vol. 7, p. 1188) Representatives of the sugar industries of other Commonwealth countries indicated that their production was disposed of to the molasses companies and that they had no further interest in the product.

The Cuban representative referred to the large supplies of inedible molasses available in his country and said the M.F.N. duty required unacceptable discounts in price in order to compete with molasses from B.P. sources. He said in part "we would like to call your attention to the fact that Canada could assure her supplies of Cuban products in the same proportion she would be able to grant them a proper access to this market." (Vol. 8, p. 1269)

The molasses items would appear to be encompassed by the proposals of the Canadian Industrial Sugar Users and the Canadian Consumers' Association, for the removal or reduction of all duties relating to the items within the terms of reference, but no arguments were put forward specifically relating to molasses. The general arguments of these associations are dealt with elsewhere in this report.

Mr. R.W.M. Austin proposed, as part of an overall sugar policy for Canada, that a quota be provided for "the supply of Blackstrap Molasses for use in animal feeds and industry". (Vol. 8, p. 1413) He said that the preferential margin amounted to a tariff concession to a single company related in turn, to a company which, in his words, "owns and controls virtually all the molasses storage and export facilities in the West Indies" (Vol. 8, p. 1436); this statement was not challenged at the hearing. He said that the low unit value of molasses limited the distance which it can be shipped economically and that it should, therefore, be obtained from the nearest possible sources.

As the foregoing indicates, there was no disagreement with respect to the goods which should be classified in a tariff item relating to inedible cane molasses. All of the discussion involved suggestions designed, apparently, to achieve greater precision of definition. The principal suggestions were that the word "molasses" be used instead of "syrops"; that the item should specify the maximum percentage of total reducing sugars after inversion relative to the total solids by weight; and that the words "not for human consumption" be part of the description of the product.

Neither was there substantial disagreement regarding the proposed increase of the permitted maximum percentage of contained sugars relative to total solids, from the under 71 per cent specified in the existing item to under 75 per cent. As noted, the principal effect of this change would be to permit the entry of Jamaican and other molasses, of a somewhat higher sugar content, under the item.

Although several proposals appeared to oppose the change in rates proposed by Imperial Molasses, by which the M.F.N. rate would be reduced from the existing one cent per gallon to Free, only the West Indies Sugar Association indicated why it opposed such a change. However, as the foregoing indicates, the claim that West Indies producers of blackstrap molasses benefit from the preferential margin of the Canadian Customs Tariff would, at the least, be difficult to support if the area's molasses is sold in the manner claimed, without contradiction. The fact that United Molasses, by far the largest purchaser of West Indies molasses, might charge its Canadian subsidiary more for preferential than for M.F.N. molasses would not directly affect the price received by the West Indies producer.

The evidence indicated that the two so-called "big boys in the molasses trade" (Vol. 10, p. 1732), United Molasses, a company controlled by Tate and Lyle, and National Molasses, a U.S. company, control a large part of the world's trade in the product. Whatever the reasons, statements by the spokesman for The West Indies Sugar Association made it clear that SuCrest, the parent of Imperial Molasses, does not bid for the West Indies molasses which is offered for sale. At one point he said "... I just want to make it clear that we have never been asked for blackstrap molasses [by SuCrest], although we have had very close dealings with SuCrest over the years". (Vol. 10, p. 1733)

Neither of the major Canadian distributors, Canada West Indies or Imperial, purchases molasses directly from producers. Apparently, United Molasses supplies Canada West Indies almost entirely with B.P. molasses and Imperial is supplied by National Molasses with M.F.N. blackstrap. Thus, one of the major Canadian distributors is dependant largely on B.P. supplies and the other on M.F.N. supplies.

The U.S. corporation, National, cannot purchase Cuban molasses and the British company prefers to supply B.P. molasses to its Canadian subsidiary, probably largely because of tariff considerations. The Cuban molasses, which United purchases in very large quantities, can be imported into Britain without any tariff disadvantage relative to molasses originating in the Commonwealth Caribbean.

The proposed change in the percentage of contained sugars would enlarge the potentially available Canadian supply of B.P. molasses. However, the availability of Jamaican supplies would tend to strengthen the position of Canada West Indies in the Canadian market relative to Imperial and the additional supply might have to be purchased at a somewhat higher price because it is known to have a relatively high percentage of contained sugars.

As noted earlier, the replacement of the word "syrups" by "molasses", in the wording of the item, might prevent the entry of inedible syrups which, otherwise, would meet all of the provisions of such a tariff item; such syrups would cease to qualify for entry under item 13600-1, at Free, B.P. and one cent per gallon, M.F.N. and would be classified under item 14000-1 at rates of five cents per gallon, B.P. and $6\frac{1}{2}$ cents per gallon, M.F.N. Also, the inclusion of a specification of a maximum percentage of contained sugars, even at the higher level proposed, would leave molasses and syrups, whose contained sugars exceeded the limit, subject to the much higher rates of item 13505-1. High-test molasses is not directly competitive with either blackstrap or refiners' molasses although, like them, it is used for industrial purposes, its inclusion under item 13505-1 makes this product dutiable at rates which are comparable with those that now apply to refined sugar. The rates of duty for refined sugar, under item 13400-1 are \$1.09, B.P. and \$1.89, M.F.N., per 100 pounds; the minimum rates under item 13505-1, per 100 pounds of contained sugars, are \$1.05, B.P. and \$1.89, M.F.N.

The spokesman for Cuba said his country had very large quantities of molasses available for export but that the present duty prevents Canada from having access to this supply. (Vol. 8, p. 1292) Cuba is closer than most of the traditional B.P. suppliers to eastern Canadian markets and very much closer than B.P. suppliers in the Pacific or Indian Ocean areas. As the world's largest producer of sugar and molasses, Cuba would appear to be a logical supplier of North American markets, apart from tariff or political considerations. The supply of molasses available from Cuba is often at least ten times as large as Jamaican supplies.

Tariff Items 13650-1 and 13705-1

Tariff item 13650-1 provides for beet molasses at rates of one cent per gallon, B.P. and M.F.N., and seven cents per gallon, General, when the percentage of contained sugars is less than 71 per cent of total solids. The only proposal for any change in this item was with respect to the wording and came from the Canada and Dominion Sugar Company Limited. The company suggested that the word "molasses" replace the word "syrup", on the grounds that "molasses" is the more usual term used to describe the product. (Vol. 1, p. 46, 213) None of the five cane sugar refiners advanced any arguments in support of their proposed retention of the existing rates of duty.

Canadian Sugar Factories Limited, Manitoba Sugar Company Limited, the Raffinerie de Sucre de Québec, the Canadian Sugar Beet Producers Association and L'Union Catholique des Cultivateurs, all advocated the retention of the existing tariff structure relating to sugar and proposed no change in the rates of duty for beet molasses; none advanced any arguments relating specifically to the rates on beet molasses.

The Quebec factory sells virtually all of its molasses for the production of yeast and the two western producers are unable to supply the demand for molasses for animal feeds in the Prairie Provinces either in the form of beet molasses or as dried molasses beet pulp. (Vol. 4, p. 463) All imports of beet molasses are from the U.S.A., at the M.F.N. rate; the rate has been reduced as a result of the Kennedy Round, from the former $6\frac{1}{2}$ cents per gallon in effect prior to January 1, 1968, to the present 1 cent per gallon from June 4, 1969.

The Board was informed that only small quantities of beet molasses are imported, mainly into the Prairie Provinces. These imports supplement the beet molasses produced by the Alberta and Manitoba beet sugar factories and are probably used largely in animal feed. In the past four years, 1966-69, imports of molasses (including molasses powder) entered into the Prairie Provinces varied between about 110,000 to 264,000 gallons valued between \$22,000 and \$46,000; the average value varied from 17.3 cents to 22.1 cents per gallon. It is probable that a large part of these imports were of beet molasses.

Beet molasses the contained sugars of which exceed the limit of the criterion of tariff item 13650-1 (under 71 per cent of total solids) would be classified under item 13505-1 when entered in bulk and under item 14000-1 if entered in the smaller containers excluded from item 13505-1.

Tariff item 13705-1 provides for molasses powder at rates of 35 cents, B.P., 45 cents, M.F.N., and 50 cents, General, per 100 pounds. Only small quantities are imported, all from the U.S.A. Although some of the representations included proposals that there be no change in this item, no arguments were put forward respecting the need for the existing or any other rate. The spokesman for B.C. Sugar and the western beet sugar manufacturers said that this was a high priced product, manufactured only in the U.S.A. It is used in animal feeds in western Canada but does not provide serious competition to the Canadian industry. (Vol. 4, p. 630)

Edible Molasses - Tariff Item 13700-1

Most of the edible molasses imported into Canada is produced in raw sugar mills from concentrated sugar cane juice from which sugar has not been extracted; in contrast, most inedible blackstrap molasses is the residual by-product of such juice after sugar has been extracted. Some edible molasses is produced by processing blackstrap. Most Canadian supplies of edible molasses are imported, mainly from Barbados and the Dominican Republic. The distributors who import the product, in bulk, are Crosby Molasses Co. Ltd., Saint John, N.B., Grandma Molasses Ltd., Montreal and Dominion Molasses Ltd., Dartmouth, N.S., a wholly-owned subsidiary of Grandma Molasses; both Grandma and Dominion are part of the SuCrest Corporation group of companies. In addition to their packaging operations, these companies supply other firms which package molasses for sale.

Imports of edible molasses have been declining for a decade or more; the decline appears to reflect smaller sales of packaged molasses to consumers. In recent years, estimated imports have varied roughly between two and three million gallons annually, valued between approximately \$1.5 and \$2.0 million. In 1969, imports were unusually small and only 1.7 million gallons, valued at \$979 thousand were imported. The unit value of edible molasses is usually three to five times that of inedible molasses.

Barbados is the principal supplier and accounts for one-half to two-thirds of all imports; the Dominican Republic supplies about one-third of total imports in most years. The U.S.A. is the only other country which ships edible molasses to Canada, regularly. A summary of recent imports is given in the following table.

Imports of edible molasses are sometimes classified incorrectly in the statistics because molasses is entered at the same rates of duty under item 13600-1 (inedible molasses), and item 13700-1 (edible molasses). As a result, the data in the table have been partly estimated on the basis of comparisons of unit values.

Table 60: The Canadian Market for Edible Molasses, 1964-69

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	-		thousand	gallons	-	
<u>Imports</u> (a)						
Barbados	2,012	2,025	1,599	1,182	1,366	833
Dominican Rep.	621	1,053	776	808	846	706
U.S.A.	50	51	55	57	61	113
Other	*	*	-	143	-	-
Total imports	<u>2,683</u>	<u>3,129</u>	<u>2,431</u>	<u>2,191</u>	<u>2,273</u>	<u>1,702</u>
<u>Principal Uses</u> (a)						
Baking	143	144	135	146	122	..
Biscuits	113	117	117	133	112	..
Canning	31	97	50	87	58	..
Other foods	<u>9</u>	<u>25</u>	<u>14</u>	<u>31</u>	<u>111</u>	<u>..</u>
Total known use	296	383	316	397	403	..
Unaccounted(b)	2,387	2,746	2,115	1,794	1,870	..

(a) Partly estimated

(b) Includes molasses packaged for direct sale to consumers

Source: Derived from DBS, various publications

New Brunswick, where Crosby Molasses is located, and Quebec are the two principal provinces of entry for edible molasses. About one-third to one-half of all the edible molasses imported in the four years, 1966 to 1969, was entered in New Brunswick and from 38 to 44 per cent of the total, in Quebec. Nova Scotia is the only other province of entry for substantial quantities of edible molasses. The relatively large quantities entered in New Brunswick, particularly of Barbados molasses, suggests that Crosby Molasses is a major Canadian distributor of edible molasses.

Edible molasses is used in bakery products, biscuits, confectionery, fruit and vegetable canning and other food products. Flour mills and some firms classified by DBS as feed manufacturers purchase edible molasses for the manufacture of products such as cake mixes. The total known use in foods is about 400,000 gallons annually, and accounts for only about one-fifth of Canadian consumption; a large proportion of the edible molasses which is imported is packaged for retail distribution.

Representations

Cane molasses for human consumption is classified under tariff item 13700-1 and, as noted, is subject to the same rates of duty as blackstrap molasses: Free, B.P. and one cent per gallon, M.F.N. The product of Barbados and the Dominican Republic is the concentrated sugar cane juice mentioned above and, therefore, imports from these countries are subject to the terms of the International Sugar Agreement.

Neither of the major importers of edible molasses made any proposals or representations in relation to tariff item 13700-1. Imperial Molasses filed a proposal which was withdrawn prior to the hearing.

Canada and Dominion Sugar Company Limited, St. Lawrence Sugar Company Limited, Cartier Refined Sugars Limited and Atlantic Sugar Refineries Limited all proposed that there be no change in the wording or rates of duty of tariff item 13700-1. None of these companies offered reasons in support of their proposals. In reply to a question, a spokesman for Cartier said that, in the case of his company, "no change" really meant "no recommendation". (Vol. 3, p. 445) A spokesman for C. & D. commented that, although dutiable at the same rates, blackstrap and fancy molasses were really two different products and "there is a good deal of argument for keeping these two different commodities under separate Tariff items". (Vol. 10, p. 1756)

The proposals of the British Columbia Sugar Refining Company Limited and its subsidiaries, of the Raffinerie de Sucre de Québec, and of the Canadian Sugar Beet Producers' Association, that there be no changes in the wording or rates of duty of any of the tariff items within the terms of Reference 146, also encompassed item 13700-1 but none of these made any further reference to edible molasses. Similarly, the Canadian Industrial Sugar Users proposed the removal of all duties under all of the items within the Reference, but at the hearing their spokesman indicated that their interest was only in the items relating to raw, refined and liquid sugars. (Vol. 8, p. 1354)

The West Indies Sugar Association (Inc.) stated: "Fancy molasses is a most valuable addition to Barbados' exports to Canada and it is submitted that no action should be taken which would adversely affect their entry into Canada at the present duty-free rate nor which would reduce the differential represented by duty-free entry as compared with the existing M.F.N. duty". (Vol. 6, p. 876)

Because prices vary considerably from year to year, the ad valorem equivalent of the M.F.N. duty also varies, but, from 1966 to 1969, in only one year did it exceed two per cent of the dutiable value of M.F.N. imports and in three of the four years it was just under two per cent.

Imports of edible molasses from Barbados averaged about 1.3 million gallons per year, from 1966 to 1969. Even if it is assumed that the existing preferential margin of one cent per gallon enhances the price received by Barbados sellers by an equal amount, the additional income represented by the existence of the margin is only \$12,600 annually. The ad valorem equivalent of the existing M.F.N. duty is only about two per cent and it is probable that the quality of the Barbados product is a much more important factor in determining its price than the preferential margin.

Mr. R.W.M. Austin, as part of his general proposal for a Canadian sugar policy, suggested that a quota be allotted for "the supply of syrups and Molasses for human consumption and by industry". (Vol. 8, 1412)

INVERT SUGAR, LIQUID SUGARS AND SUGAR SYRUPS -
TARIFF ITEMS 13505-1 AND 14000-1

In the "Explanatory Notes to the Brussels Nomenclature" invert sugar is described as follows:

"Invert sugar ... is usually prepared commercially by the action of dilute inorganic acid on ordinary sugar (sucrose) and consists of equal proportions by weight of glucose and fructose. It may be imported in the solid form or as a viscous syrup. It is used in pharmacy, in the manufacture of fruit preserves and artificial honey and in the brewing industry."

In Canadian commercial practice invert sugar is almost invariably sold in solutions containing a mixture of invert sugar and sucrose.

Tariff items 13505-1 and 14000-1 are reproduced below.

		<u>B.P.</u>	<u>M.F.N.</u>
13505-1	Invert sugar, and syrups the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, in which the percentage of the total of reducing sugars after inversion is seventy-one per cent or greater of the total solids by weight, not including syrups in receptacles of such size that the gross weight of the receptacle and contents does not exceed 60 pounds:		
	When the total of reducing sugars after inversion is equivalent to not more than sixty-five per cent by weight of the total syrup		
	per one hundred pounds	68 cts.	\$1.23
	When the total of reducing sugars after inversion is equivalent to more than sixty-five per cent, but not more than seventy per cent by weight of the total syrup		
	per one hundred pounds	74 cts.	\$1.33
	When the total of reducing sugars after inversion is equivalent to more than seventy per cent by weight of the total syrup		
	per one hundred pounds	83 cts.	\$1.50
14000-1	Syrups, the product of the sugar cane or beet, and all imitations thereof and substitutes therefor, n.o.p.		
	per gallon	5 cts.	6½ cts.

Invert sugar, in solid form, would always be classified under tariff item 13505-1 at the highest rates under the item. For all other products which would be classified under items 13505-1 and 14000-1, the two items are complementary. Products shipped in receptacles the gross weight of which, inclusive of the contents, does not exceed sixty pounds would be classified under item 14000-1; when the gross weight of receptacle and contents exceeds 60 pounds they would be classified under item 13505-1.

Items 13505-1 and 14000-1 apply mainly to solutions of invert sugar, sucrose, other sugars, and to mixtures thereof, golden or refiners' syrups, cane molasses for human consumption the percentage of contained sugars in which is 71 per cent or more of total solids and which is not produced in the manner described in tariff item 13700-1, and to cane or beet molasses or syrups, not for human consumption, the percentage of contained sugars in which is 71 per cent or more by weight of total solids. Prior to January 1, 1968, all beet syrups, including beet molasses, came under these items; since that date most imports, properly classified under the items, have been of golden syrups and of edible molasses excluded from item 13700-1. Although both items 13505-1 and 14000-1 also provide for "all imitations thereof and substitutes therefor", no such products were known to Canadian sugar refiners and none has come to the Board's attention.

Invert and liquid sugars are produced in large quantities in Canada; Canadian production and use is described in the section of the report which deals with refined sugar.

No information relating to imports under these items was placed before the Board and no import statistics relating to individual products are available. Imports under each of the tariff items for the years 1966 to 1969 are given below:

	Tariff Item 13505-1				Tariff Item 14000-1		
	<u>U.K.</u>	<u>U.S.A.</u>	<u>Total</u>	<u>U.K.</u>	<u>U.S.A.</u>	<u>Other</u>	<u>Total</u>
			-	'000 dollars	-		
1966	6	1	8	25	15 ^(a)	1	41
1967	7	1	8	76	30 ^(a)	2	108
1968	10	-	10	61	58 ^(a)	4	123
1969	10	2	12	44	11	2	57

(a) Includes beet molasses

Source: DBS

Most of the proposals placed before the Board, relating to these items, were to the effect, without given reasons, that they be left unchanged in wording and rates. St. Lawrence Sugar Company Limited and Atlantic Sugar Refineries Co. Ltd., both proposed that the references to "all imitations thereof and substitutes therefor" be deleted. Neither company was able to suggest any imitations or substitutes that were entering under the items, but both indicated that their proposal was designed to exclude from the items products based on artificial or chemical, non-nutritive sweeteners, which, in their opinion, have no place in the sugar schedule.

The common non-nutritive sweeteners are provided for in the chemical schedule at rates of Free, B.P., and 15 p.c., M.F.N.; saccharin, whether or not dissolved in water, is classifiable under tariff item 92926-1 and the various cyclamates, whether or not dissolved in water, in item 92930-1. Therefore, products which the proposals of St. Lawrence and Atlantic would exclude are already excluded from these items. The effect of their proposal, if implemented, would be to exclude substitutes or imitations made, for example, from vegetation other than sugar cane or beets and not covered more specifically by another tariff item.

The spokesman for St. Lawrence noted that the percentage of contained reducing sugars after inversion cannot be measured in a product which contains no sugars, as required under the provisions of item 13505-1. (Vol. 3, p. 343) He also suggested that any changes in the tariffs on refined sugar should be reflected in the rates on liquid sugars, calculated on the basis of 100 pounds of solids. (Vol. 3, p. 411)

The Canadian Industrial Sugar Users, the principal users of liquid sugars, urged the removal of all tariffs on raw and refined sugars, to reduce the price of sugar in Canada and to improve the competitive position of Canadian manufacturers of sweetened goods in relation to imports of such goods. This proposal is discussed elsewhere in the report. Invert sugar, liquid sugars and sugar syrups would also be encompassed by the reductions of duties proposed by the Consumers Association of Canada.

As part of his proposals for the establishment of an overall sugar policy based on free entry under a quota system, Mr. R.W.M. Austin proposed that separate quotas be established for "the supply of direct consumption refined sugar and liquid sugars for use in industry" and for "the supply of syrups and Molasses for human consumption and by industry." (Vol. 8, p. 1412)

Supplementary Notes on Molasses and Syrups

The following notes deal with information which has become available since the main part of the section on molasses and syrups was written.

In 1970, as in previous years, there were no imports recorded under tariff item 14005-1; also, the value of imports under the six items tabulated below was generally consistent with the pattern of previous years (table 57). In 1970, imports of inedible molasses were only slightly larger than in 1969 and remained well under the level of imports in 1967 and 1968.

Table 61: Imports of Syrups and Molasses, Within the Terms of Reference 146, by Tariff Items, 1970.

<u>Tariff Item</u>	<u>B.P.</u>	<u>M.F.N.</u> -thousand dollars-	<u>Total</u>
13505-1	2	-	2
13600-1	821	2,167	2,988
13650-1	-	169	169
13700-1	1,085	509	1,594
13705-1	-	21	21
14000-1	30	42	73

Source: DBS

However, there was a marked shift in the origin of supplies of inedible molasses in 1970. Unlike other years, imports from M.F.N. sources greatly exceeded those from B.P. countries and Cuba became a supplier of the Canadian market for the first time in many years. Also, as in earlier years, the Board's analysis suggests that some of the imports recorded as edible molasses, under tariff item 13700-1, should, in fact, have been recorded as inedible molasses, under item 13600-1.

Table 62: Imports of Inedible Molasses and Edible Molasses, 1970

	<u>Inedible(a)</u>		<u>Edible(a)</u>	
	<u>Quantity</u>	<u>Value</u>	<u>Quantity</u>	<u>Value</u>
	'000 gals.	\$'000	'000 gals.	\$'000
Barbados	-	-	1,306	894
Guyana	540	101	-	-
Trinidad & Tobago	5,129	720	-	-
Sub-total	5,669	821	1,306	894
India	1,000	191	-	-
Total B.P.	6,669	1,012	1,306	894
Cuba	8,684	1,290	-	-
Dominican Rep.	3,199	482	906	362
Mexico	2,720	366	-	-
U.S.A.	1,680	307	48	82
Total M.F.N.	16,283	2,445	954	444
All Countries	22,952	3,457	2,260	1,338

(a) Partly estimated

Source: DBS, Cat. No. 65-007 and Special Surveys

Additional information has now been published regarding the total available Canadian supply of inedible molasses in 1969. Canadian refiners shipped 6.4 million gallons of beet molasses and 3.5 million gallons of cane molasses in that year and U.S. imports from Canada amounted to 0.4 million gallons. In conjunction with the estimated imports of 21.5 million gallons in 1969 (table 58) this indicates a domestic consumption of 31.0 million gallons, in that year.

SHREDDED SUGAR CANE - TARIFF ITEM 14005-1

The Board was also asked to report on tariff item 14005-1, which provides for "shredded sugar cane", at rates of 12½ p.c., B.P., 17½ p.c., M.F.N. and 17½ p.c., General. This item has been unchanged in wording and rates since its introduction into the Tariff in 1913 in connection with a Trade Agreement with the West Indies. Under the South African Trade Agreement (1933) that country was guaranteed the B.P. rate and the existing margin of preference.

At the public hearing, no one was able to advise the Board as to precisely what was intended to be covered by the item. It was pointed out that sugar cane is shredded as the first stage of the manufacture of raw sugar but that it would be impossible to ship the product in that state, because it would rapidly ferment. Others suggested that it might be intended to refer to bagasse, the residual cane after the extraction of raw sugar and molasses. This product is used as a fuel in the raw sugar mills and can be used to make paper-board, ceiling board, and corrugated cardboard containers. However, tariff item 54010-1, which is outside the terms of this reference, provides free entry under the B.P. and M.F.N. tariffs for "bagasse of sugar cane, whether or not dried, cleaned, cut to size, ground or sifted."

Since September 1965, when imports by tariff items were first separately reported, none has been recorded under item 14005-1, which would suggest that the item relates to a product of no commercial importance to Canada.

In the proposals placed before the Board, this item was covered only incidentally both by those who proposed that there be no change in certain items or in the whole schedule, or by those who proposed the reduction or abolition of duties. No arguments were advanced relating specifically to the wording or rates appropriate for tariff item 14005-1.

SUGAR BEETSIntroduction

Beet sugar currently constitutes between 40 and 45 per cent of total world output of sugar; around the beginning of the century it had reached a peak of over 60 per cent of world sugar production. For the 1969-70 crop year it has been estimated that of a total output of some 77.5 million short tons of sugar, about 32 million tons, or 41 per cent, will be beet sugar.

In contrast to sugar cane, which, apart from Australia and South Africa, is grown largely in the semi-tropical, developing countries of the world, sugar beets are usually produced in industrially developed countries of the temperate zones. Europe is the region of largest beet sugar production. Some 27 million tons, 83 per cent of the 32 million tons referred to above, are expected to be produced in Europe, including the U.S.S.R.

In Canada, beet sugar accounts for around 12 to 14 per cent of total supplies and, by the terms of an undertaking given by Canada on signing the International Sugar Agreement, is limited to a maximum of 20 per cent of the total Canadian consumption.

Sugar beets are grown in the provinces of Alberta, Manitoba and Quebec. A long history of sugar beet production in south-western Ontario was brought to a close with the crop harvested in 1967 when the Chatham beet sugar factory of Canada and Dominion Sugar Company Limited was closed.

Since 1967, sugar beets have been processed in Canada by only three companies: Canadian Sugar Factories Limited in Alberta, the Manitoba Sugar Company Limited in Manitoba, and the Raffinerie de Sucre de Québec in Quebec. The Alberta and Manitoba companies are wholly-owned subsidiaries of the British Columbia Sugar Refining Company Ltd. of Vancouver, a public corporation. The Raffinerie de Sucre de Québec is owned by the Quebec Government and is operated under the presidency of the provincial Minister of Agriculture and Colonization.

Canadian Sugar Factories Limited operates two beet sugar factories: one at Taber and one at Picture Butte, both in the Lethbridge area of southern Alberta. The Manitoba Sugar Company Limited operates a factory just outside of Winnipeg, at Fort Garry, Manitoba. The Raffinerie de Sucre de Québec also has one factory, located at St. Hilaire. The four operating beet sugar factories process sugar beets only; for a brief period the Manitoba company also processed imported raw cane sugar, but none of the factories is equipped to process cane sugar, at present.

The output of the four beet sugar factories is primarily granulated refined white sugar, although some of the white sugar specialties such as cube sugar and icing sugar are produced in some instances; they produce no brown or other soft sugars. All the factories produce beet molasses and dried beet pulp as by-products; the latter is the fibrous residue of the sugar beet which remains after the sugar has been extracted. In western Canada, some beet molasses is

added to the beet pulp to produce dried molasses beet pulp, a live-stock feed, and some is sold to produce yeast and alcohol; in Quebec, almost all of the beet molasses is sold for the manufacture of yeast. Beet molasses is not sold for human consumption, in Canada.

Production of sugar beets is not an important farm enterprise in any of the three provinces in which they are produced, in relation to the total number of farms, total farm acreage, the farm value of the principal field crops or total farm cash receipts. However, for the approximately 2,500 farms on which they are grown, sugar beets are a substantial source of farm income; for these farms, the gross farm income from sugar beets is larger than that from any other field crop.

Table 63: Farm Income and Area of Sugar Beets Compared
With All Farm Enterprises, 1968

	<u>Quebec</u>	<u>Manitoba</u>	<u>Alberta</u>
	million dollars		
Farm value, principal field crops ^(a)	187.6	282.9	553.8
Farm value of sugar beets ^(a)	3.3	4.8	10.9
Cash receipts, all farm enterprises	636.3	364.8	803.1
Cash receipts, sugar beets ^(b)	2.8	4.1	9.0
	thousand acres		
Area of principal field crops	4,702	8,572	17,244
Area of sugar beets	11	29	39
<u>Sugar beets as per cent of:</u>		per cent	
Farm value, principal field crops	1.7	1.7	2.0
Cash receipts, all farm enterprises	0.5	1.3	1.4
Area of principal field crops	0.2	0.3	0.2

(a) Includes estimated value of crops consumed on farms where grown

(b) Includes deficiency payments

Source: DBS, various publications

The latest published data regarding the number of farms on which various crops are grown relate to the census of 1966. In 1966, in Quebec, only 927 farms produced sugar beets compared with about 34,500 which grew potatoes. In that year, 542 farms in Manitoba and 971 in Alberta, grew sugar beets; in the same year, approximately 28,600 farms in Manitoba and 43,500 farms in Alberta, grew spring wheat. Thus, the 2,440 farms in these provinces which produced sugar beets in 1966, represented a very small fraction of the total number in each of the provinces.

Sugar beets are an important crop to farm operators who produce them mainly because the gross and net return per acre is large compared with those from most other crops. Although costs of production are high, the eagerness of farmers to obtain contracts to grow them indicates that sugar beets are a relatively profitable crop. There are no problems of marketing and returns to producers are quickly available because of the provisions of the contracts under which sugar

beets are grown and sold. Also, deficiency payments provided by the federal government under its price stabilization program, are probably an important factor to farm operators when considering crop alternatives. As the following table shows, potatoes are the only major field crop which provides gross returns per acre as large as sugar beets. However, potatoes are subject to much greater price instability than sugar beets and normally involve sorting, storage and other operations before they are sold.

Table 64: Average Gross Returns Per Acre, Sugar Beets and Selected Other Field Crops, 1968

	<u>Quebec</u>	<u>Manitoba</u> dollars per acre	<u>Alberta</u>
Spring wheat	48	35	34
Flaxseed	51	36	44
Corn for grain	114	53	-
Peas, dry	72	32	75
Potatoes	275	211	325
Sugar beets	286	164	278

Source: DBS, Cat. No. 21-003

Acreage, Production and Returns

Between 1960 and 1964, sugar beet acreage increased sharply, reached a peak of 101,312 acres in 1964 and then declined to 83,305 acres in 1967, the last year that this crop was produced in Ontario. In the two years since 1967, acreage has been fairly stable at about 80,000 acres. Currently, about one-half the acreage is in Alberta, one-third in Manitoba and 13 per cent in Quebec.

Table 65: Harvested Acreage of Sugar Beets, Canada and Provinces, Selected Years, 1940-70

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u> - acres -	<u>Alberta</u>	<u>Canada</u>
1940	-	38,010	15,682	23,840	77,532
1950	11,869	33,277	20,198	36,152	101,496
1959	4,503	33,306	17,500	35,144	90,453
1960	5,423	14,258	25,068	41,379	86,128
1961	7,895	16,353	21,141	39,538	84,927
1962	10,182	12,653	21,565	40,277	84,677
1963	10,557	16,811	28,100	39,755	95,223
1964	10,628	18,742	29,820	42,122	101,312
1965	9,257	10,950	25,917	38,899	85,023
1966	8,418	11,925	23,045	37,884	81,272
1967	8,776	14,124	26,898	33,507	83,305
1968	11,381	-	29,079	39,206	79,666
1969	9,298	-	31,062	38,867	79,227
1970	8,900	-	23,173	38,000	70,073

Source: DBS, Cat. No. 21-003, 21-507

The combined acreage of Alberta and Manitoba has varied between about 60 and 70 thousand acres during the 1960's without apparent trend. In Quebec, there was a substantial increase in the early 1960's. After 1961, acreage varied from a low of 8,400 in 1966 to a high of 11,400 in 1968; again no trend is apparent. Ontario acreage declined by more than 50 per cent between 1959 and 1960, from 33,306 to 14,258 and, although it increased in the next few years to 18,742 acres, it declined again after 1964.

Production of sugar beets has been relatively stable in recent years at about 1.1 million tons per year. Alberta is the major producing province and accounts for more than half of the total. Together, Alberta and Manitoba normally produce between 800,000 to 900,000 tons annually. Production in these two provinces is limited mainly by the size of the market for sugar in the Prairie Provinces. Quebec's production has varied between 130,000 and 160,000 tons in the period 1964-69, except for the unusually large output in 1968 which resulted from the large acreage and high yield per acre, in that year. Production in Quebec is limited by the size of the province's factory at St.Hilaire, which is currently operating at capacity.

Table 66 Production of Sugar Beets, Canada and Provinces,
Selected Years, 1940-70

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Alberta</u>	<u>Canada</u>
		-	thousand tons	-	
1940	-	394	95	336	825
1950	138	383	150	445	1,116
1960	83	212	258	546	1,099
1961	113	279	188	525	1,106
1962	147	229	197	533	1,106
1963	113	245	348	580	1,286
1964	151	336	285	527	1,298
1965	160	216	262	504	1,142
1966	130	216	245	576	1,167
1967	133	287	227	434	1,081
1968	204	-	298	596	1,098
1969	158	-	343	577	1,078
1970	160	-	180	535	875

Source: DBS, Cat. No. 21-003, 21-507

Since 1950, with the use of newer equipment and methods and improved seed varieties, the average yield of sugar beets in Canada has increased from some 10 or 11 tons per acre to 13 or 14 tons per acre. Before Ontario production ceased, yields of 18 to 20 tons per harvested acre were being achieved in that province. In general, yields have been higher in eastern than in western Canada and yields in Quebec are ordinarily higher than in Alberta. Yields are higher in Alberta than in Manitoba, probably largely because of the use of irrigation in the growing areas of Alberta. In 1969, yields in Quebec, Alberta and Manitoba were 17.0, 14.8 and 11.1 tons per acre, respectively; the national average yield in 1969 was 13.6 tons per acre harvested.

The average farm return per ton of sugar beets has increased over the past decade. In two of the years, 1962 and 1963, higher returns resulted from high prices for cane sugar; in all other years of this period, farm returns for sugar beets include subsidies paid in the form of "deficiency payments" under the terms of the Agricultural Stabilization Act; these varied from a low of \$1.52 per ton in 1960 to a high of \$5.99 a ton, in 1965.

Table 67: Average Farm Returns Per Ton of Sugar Beets,
Canada and Provinces, Selected Years, 1940-69

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Alberta</u>	<u>Canada</u>
		-	dollars per ton	-	
1940	-	6.57	6.65	7.11	6.80
1950	13.00	15.59	15.50	18.45	16.40
1960	14.48	13.82	13.73	14.85	14.36
1965	18.31	13.70	17.16	17.20	16.69
1966	18.32	13.95	16.79	16.71	16.40
1967	18.18	13.25	17.80	17.95	16.70
1968	15.99	-	15.98	18.28	17.23
1969(prel.)	15.08	-	17.30	18.45	17.49

Source: DBS, Cat. No. 21-003, 21-507

The total farm value of sugar beets in Canada roughly trebled during the forties and reached a level of about \$19 million per year before the abandonment of Ontario production in 1967. Currently it is estimated at about \$19 million. As noted earlier, Canadian production is unlikely to increase rapidly and, therefore, increased farm income depends mainly on increased average returns per ton of beets.

Table 68: Total Farm Value of Sugar Beets, Canada
and Provinces, Selected Years, 1940-69

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Alberta</u>	<u>Canada</u>
		-	thousand dollars	-	
1940	-	2,588	633	2,391	5,612
1950	1,795	5,969	2,322	8,213	18,299
1960	1,198	2,929	3,549	8,102	15,778
1965	2,932	2,957	4,501	8,671	19,061
1966	2,385	3,018	4,106	9,617	19,126
1967	2,424	3,802	4,036	7,792	18,054
1968	3,256	-	4,769	10,898	18,923
1969(prel.)	2,389	-	5,938	10,640	18,967

Source: DBS, Cat. No. 21-003, 21-507

Sugar beets were produced by 2,543 growers in 1968. The largest number, 1,081, were in Alberta. However, because the average sugar beet acreage is relatively small in Quebec, there were 925 growers in that province compared with 537 in Manitoba, although the Manitoba acreage of sugar beets is usually more than three times as large.

The number of growers has been decreasing in recent years, in all provinces. In 1964, there were 3,429 growers in Quebec, Manitoba and Alberta; in 1968, they numbered 2,543, a decline of about 25 per cent. The substantial decline in numbers of growers has been accompanied by an even greater increase in the average acreage per grower. Between 1964 and 1969, the average acreage increased from 22 to 33 acres per grower, a rise of approximately 50 per cent. The largest increase occurred in Manitoba where the average acreage rose from 38 to over 55 acres per grower.

Table 69: Average Harvested Acreage of Sugar Beets Per Grower, 1964-69

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Alberta</u>	<u>Canada</u>
		-	acres harvested per grower	-	
1964	8.8	16.1	38.5	29.3	22.1
1965	8.6	14.5	39.9	29.4	22.4
1966	8.9	17.3	41.0	30.6	23.7
1967	10.5	20.3	48.7	30.0	26.0
1968	12.3	-	54.2	36.3	31.3
1969(prel.)	11.5	-	55.5	37.6	33.0

Source: Provincial Growers' Associations, annual reports and the Raffinerie de Sucre de Québec

Sugar Beet Production - Costs and Returns

The cost of producing beets in Alberta was discussed in a study released in 1969 by the Department of Agriculture of that province, entitled "The Economics of Sugar Beet Production in Alberta, 1966-1968" (publication no. 821-171). The study was based on a random sample of ten per cent of the growers with contracts and was "quite representative of the entire population of growers". A less-detailed study of the cost of producing sugar beets in Manitoba, in 1968, is also available. No estimate of the costs of producing sugar beets in Quebec is available to the Board.

Alberta Costs and Returns

According to the Alberta study, sugar beets are grown on farms with an average total area of about 380 acres and an average total cultivated area of 330 acres. Sugar beets accounted for an average of 49 acres per farm, in the years 1966 to 1968, or approximately 15 per cent of the cultivated acreage. Grains accounted for the largest part of the cultivated acreage (43 per cent), vegetables and miscellaneous crops for six per cent and fodder for about ten per cent; the remainder of the cultivated land was in tame pasture and summer fallow.

The weighted average cost of producing beets during the three years covered by the study was \$11.82 per ton, the total average return to producers, \$18.21 a ton, and the net return to profit and management, \$6.40 per ton of beets harvested. Interest on the investment in land and mechanical equipment was included in expenses, as was the value of the labour of the farm operator and members of his family. Thus, except for the additional remuneration to the farm operator for the time spent in purely managerial functions relating to the beet crop, the net return represents the profit from sugar beet production. Summary data regarding returns and expenses, per ton of beets, are given in the table which follows.

Table 70 : Returns and Costs in the Production of Sugar Beets in Alberta, 1966-68

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>3-year Average</u>
	\$ per ton of sugar beets			
<u>Returns:</u>				
from processor	12.01	12.32	14.89	13.08
deficiency payment	<u>4.70</u>	<u>5.63</u>	<u>3.39</u>	<u>4.51</u>
total above	16.71	17.95	18.28	17.59
other(a)	<u>0.54</u>	<u>0.66</u>	<u>0.69</u>	<u>.62</u>
Gross returns	17.25	18.61	18.97	18.21
<u>Expenses</u>				
labour	3.76	4.03	3.74	3.83
machinery & equipment	4.77	4.75	5.22	4.92
materials, supplies & misc. costs	1.47	1.84	1.52	1.59
land & water taxes	.43	.44	.40	.42
interest on land investment	<u>1.03</u>	<u>1.10</u>	<u>1.06</u>	<u>1.06</u>
Total expenses	11.46	12.16	11.94	11.82
<u>Net return to management and profit</u>				
including def. payment	5.79	6.45	7.03	6.40
excluding def. payment	1.09	.82	3.64	1.89

(a) Includes feed value of beet tops, hail insurance payments and hauling rebates from sugar factory

Source: Alberta Dept. of Agriculture, publication no. 821-171

During the three years covered by the study, gross returns per ton of beets, exclusive of the deficiency payment, exceeded total expenses in each year. For the three-year period, gross returns excluding deficiency payments exceeded total expenses by an average of \$1.89 per ton of beets.

For the farms included in the sample, total expenses per acre for the three years 1966 to 1968 averaged \$175.55. For the same three-year period the gross return from sugar beet production averaged \$270.59 per acre, of which \$261.31, 96.6 per cent, was accounted for

by the sale of beets. The remaining \$9.28 per acre was attributed to the feed value of beet tops, receipts from hail insurance, and payments by the beet sugar factory for hauling sugar beets distances of more than $3\frac{1}{2}$ miles to the sugar beet factory. Thus, the average net return for management and profit per acre, was \$95.03, nearly three times the gross return from wheat per acre, in 1968.

The average acreage of sugar beets for the farms included in the study, 1966-68, was 48.8 acres; the following table shows the distribution of returns and major costs per farm.

Table 71: Returns and Costs, Per Farm, in the Production of Sugar Beets in Alberta, 1966-68

	1966	1967	1968	3-year Average
	\$ per farm			
<u>Returns</u>				
from processor	8,587	7,603	12,778	9,486
deficiency payment	<u>3,360</u>	<u>3,474</u>	<u>2,909</u>	<u>3,266</u>
total above	11,947	11,077	15,687	12,752
other	<u>386</u>	<u>407</u>	<u>592</u>	<u>453</u>
Gross returns	12,333	11,484	16,279	13,205
<u>Expenses</u>				
labour	2,688	2,487	3,209	2,775
machinery & equipment	3,410	2,931	4,479	3,566
materials, supplies & misc. costs	1,051	1,135	1,304	1,152
land & water taxes	307	272	343	306
interest on land investment	<u>736</u>	<u>679</u>	<u>910</u>	<u>768</u>
Total expenses	8,194	7,504	10,246	8,567
<u>Net returns to management and profit</u>				
including def. payment	4,140	3,980	6,033	4,638
excluding def. payment	779	506	3,124	1,372

Source: Alberta Dept. of Agriculture, publication no. 821-171

During the three years covered by the study, gross returns from the production of sugar beets, exclusive of deficiency payments, averaged \$9,939 per farm and average net returns to management and profit, on the same basis, \$1,372 per farm; inclusive of deficiency payments, net returns averaged \$4,638 per farm, indicating the importance of the federal subsidy to producers. In the period, deficiency payments averaged 25 per cent of the gross returns from sugar beet production and were 27, 30 and 18 per cent of gross returns in 1966, 1967 and 1968 respectively.

The largest items of expense were machinery and equipment, and labour; these averaged 42 and 32 per cent of the total, respectively, from 1966 to 1968. Total labour requirements per acre averaged 46.4 hours on the farms studied. This would amount to 2,264.3 hours

per season on the average farm, or 226 man-days, assuming an average of ten hours work per day, and 283 man-days at eight hours per day. On farms with relatively small beet acreages a large part of the labour would probably be contributed by the farm operator and members of his family; on farms with larger beet holdings the seasonality of various operations would make the hiring of outside labour essential.

For the farms studied, sugar beets accounted for only 15 per cent of the total cultivated acreage from 1966 to 1968 and, therefore, the returns discussed above relate to only part of the income of the farms included in the study. Unfortunately, no published data are available regarding total returns of these farms.

Manitoba Costs and Returns

The Manitoba study relates to only one year, 1968. In general, the details given of various costs are similar to those of the study in Alberta, but not identical. In 1968, Manitoba acreage and production were relatively large but the sugar content of the beets was low; in Alberta the total size of the crop and the sugar content of the beets were both above average. In neither province was the yield per acre exceptionally low or high. However, as the following comparisons indicate, returns per acre were much higher in Alberta because yields are ordinarily considerably higher than in Manitoba and, in 1968, the effect of this difference on returns was enhanced by the sugar content of the beets sold in each of the provinces.

Table 72: Sugar Beets, Costs of Production and Returns,
in Manitoba and Alberta, 1968

	<u>Manitoba</u>	<u>Alberta</u>	<u>Manitoba</u>	<u>Alberta</u>
	\$ per ton		\$ per acre	
<u>Returns:</u>				
from processor	12.91	14.89	137.23	238.39
def. payment	<u>3.07</u>	<u>3.39</u>	<u>32.63</u>	<u>54.27</u>
sub-total	15.98	18.28	169.86	292.66
other	<u>0.69(a)</u>	<u>0.69</u>	<u>7.33(a)</u>	<u>11.16</u>
Gross return	16.67	18.97	177.19	303.82
<u>Expenses:</u>				
labor	3.28	3.74	34.87	59.82
machinery & equipment	3.77	5.22	40.03	83.50
materials, supplies, misc.	3.80	1.52	40.38	24.48
taxes, rent, int. on land	<u>2.93</u>	<u>1.46</u>	<u>31.16</u>	<u>23.36</u>
Total expenses	13.78	11.94	146.44	191.16
<u>Net return to management and profit:</u>				
including def. payment	2.89	7.03	30.75	112.66
excluding def. payment	-0.18	3.64	-1.88	58.39

(a) Assumed to be the same per ton of beets as in Alberta

Source: Derived from preliminary report on the costs of producing sugar beets in Manitoba in 1968, University of Manitoba and Alberta Dept. of Agriculture, publication no. 821-171

As the table shows, production costs were higher per acre in Alberta than in Manitoba but, because the average yield in Alberta was much higher, 16.01 tons per acre compared with only 10.63 tons in Manitoba, costs per ton in Alberta were significantly lower. The effect of the lower sugar content of Manitoba beets is evident in the returns per ton; in 1968, Manitoba beets had a sugar content of 15.52 per cent compared with 16.80 per cent for Alberta beets. The combined effect of the higher yield and the higher sugar content resulted in the gross return per acre in Alberta being 71 per cent higher than in Manitoba, in 1968; the net return per acre (including deficiency payments) was nearly four times as large in Alberta as in Manitoba.

In Manitoba, net returns were negative when deficiency payments were excluded from the data. The net return of Alberta growers studied was \$58.39 per acre in 1968, substantially higher than the average gross return of approximately \$34 per acre for spring wheat in that year.

A major item of expense to Manitoba producers is the cost of transporting beets from the farm to the sugar beet factory just outside of Winnipeg. Apparently, a large proportion of the beets are transported by rail freight from the more distant points and this cost is given in the study; the additional cost of trucking some of the beets from the more distant farms to the factory cannot be established from the detail given in the study. However, about two-thirds of the beets covered by the study sample were grown in Districts 3, 4 and 5 and incurred an average rail freight cost of \$2.07 per ton or \$22.08 per acre.

The Manitoba beet sugar factory is located at a considerable distance from most of the sugar beet production. Only about six per cent of the sugar beet farms are located within 15 miles of the factory and the two-thirds of the production which occurs in Districts 3, 4 and 5 is an average of 50 miles or more from the plant. Districts 3, 4 and 5 are south of Winnipeg, adjacent to the Canada-U.S.A. border. A substantial part of the output of districts 1 and 2 is also south of Winnipeg and at some distance from the factory.

If the factory were closer to the area where most sugar beets are produced, for example in the general vicinity of Altona, producers in Districts 3, 4 and 5 could truck beets to the factory instead of incurring the high costs of rail freight for an average distance of at least 50 miles. Although many producers in District 1 and some in District 2 would be unaffected by such a change of location, producers in Districts 3, 4 and 5 would benefit considerably; the latter producers accounted for about two-thirds of the acreage and output in 1968 and for nearly three-quarters of the total number of growers.

If producers in Districts 3, 4 and 5 could have saved the cost of rail freight, in 1968, their average cost would have been reduced by \$2.07 per ton of beets or \$22.08 per acre. The effect of these reductions on costs and returns for Districts 3, 4 and 5 is shown below.

	\$ per ton	\$ per acre
<u>Total returns:</u>		
with deficiency payment	16.67	177.45
without deficiency payment	13.60	144.77
<u>Total expenses:</u>		
including rail freight	13.93	148.12
excluding rail freight	11.85	126.04
<u>Net returns including rail freight in costs</u>		
with deficiency payment	3.07	29.33
without deficiency payment	-0.33	-3.35
<u>Net returns excluding rail freight from costs</u>		
with deficiency payment	4.82	51.41
without deficiency payment	1.75	18.73

It is apparent, from the tabulation, that net returns per acre for producers in Districts 3, 4 and 5 would change very significantly if the Manitoba factory were more appropriately located in relation to the production of beets. The additional cost of freight for the sugar produced would be minimal in comparison with the current heavy costs of transporting beets from growers' farms to loading points and then transporting the beets, by rail, to the factory.

The savings which would accrue to producers in Districts 3, 4 and 5 and therefore to two-thirds of Manitoba production, is probably understated. As noted, the tabulation does not take account of the costs of trucking beets grown in Districts 3, 4 and 5 to the factory. The apparent disadvantage of Manitoba growers relative to those in Alberta would shrink considerably if the beet sugar factory were more appropriately located, even in a year when the sugar content of beets was unusually low, as in 1968.

The Marketing of Sugar Beets

In Canada, sugar beets are grown under contracts which specify the acreage which will be seeded, the terms of payment and various other matters. The contracts between the processors and the growers are generally similar in Alberta and Manitoba. In both provinces, they provide for the price of seed supplied by the factory, shrinkage allowances, tare penalties, delivery points at which beets will be received, and similar points of detail; they also specify the proportions in which the grower and processor will share in the net returns from the sale of sugar and other products manufactured from the sugar beets. A comparison of the sharing provisions of the Alberta and Manitoba contracts for the 1969 crop is given below.

Average Net Return for Sugar
f.o.b. Factory
 \$ per cwt.

Growers' Share of Net Return
Alberta Manitoba
 per cent

6.25 and under	58	59
6.40	59	59
6.50	59.67	59
6.55	60	59.1
6.70	61	59.4
6.75	61.33	59.5
6.85	62	59.7
7.00	63	60
7.25	63	60.5
7.50	63	61
7.75	63	61.5
8.00	63	62
8.25	63	62.5
8.50 and over	63	63

As the above table indicates, the growers' share of the net return to the factory will not be less than 58 per cent nor more than 63 per cent. Manitoba growers have a slight advantage when net returns to the factory are less than \$6.40 per hundred pounds of sugar; Alberta growers have an advantage when net returns are greater than \$6.40 but less than \$8.50 per hundredweight. Both Alberta and Manitoba growers also receive a share of the factories' net returns from dried molasses beet pulp and beet molasses. The net return to the factory for sugar and other products is established by deducting from the gross return "all usual selling expenses; and also an amount equivalent to any new or increased taxes or levies against the said beets, sugar, molasses or D.M.B.P. [dried molasses beet pulp], or against the Company on account of processing or production, by any lawful taxing authority, such deduction being agreed upon as an added selling expense". (Alberta Sugar Beet Contract, 1969)

Growers are paid according to the average sugar content of the total crop of beets delivered by all growers. Thus, if deliveries from all growers during the season are found to have contained 250 pounds of sugar per ton of beets (12.5 per cent), each grower is credited with 250 pounds of sugar for each ton of beets delivered, whatever the sugar content of his own beets may have been. If the net return to the factory for sugar from the 1969 crop were \$6.55 per hundredweight, the grower's share in Alberta would be 60 per cent and in Manitoba, 59.1 per cent, or \$3.93 and \$3.87, respectively, per hundred pounds of sugar contained in the beets delivered. Thus, if the average sugar content of all beets delivered in each province were 12.5 per cent (250 pounds per ton), Alberta growers would receive \$9.825 from the processor per ton of beets delivered (250 x 3.93) and Manitoba growers would receive \$9.675 per ton. (100

In Quebec, in recent years, producers of sugar beets have been guaranteed a fixed minimum price of \$13.00 per ton of beets delivered to the factory, without regard to the sugar content. In addition, producers also receive the federal deficiency payment per ton of beets for the crop to which it pertains. The contract between

grower and refinery specifies the maximum acreage which may be planted and certain other conditions relating to the purchase of seed and the inspection of crops.

The principal factor which determines the total output of beet sugar and, therefore, of sugar beets, in Alberta and Manitoba, is the demand for sugar in the Prairie Provinces. It is a matter of policy, on the part of the British Columbia Sugar Refining Company Limited, which owns the three beet factories in the Prairies, that enough acreage will be placed under contract in those provinces to provide sufficient granulated sugar to supply the market for white sugar in the Prairie Provinces, according to the company's estimates. When the production of beets is less than the company's expectations, sugar may be brought in from the company's Vancouver cane sugar refinery; when production is unusually large, surplus beet sugar may be sold outside the Prairies or acreage contracted in the following year may be reduced.

Distance from eastern refineries and the consequent cost of shipping tends to insulate most of the Prairie market from the competition of refined cane sugar produced east of Manitoba; beet sugar produced in the Prairies would move east of the Lakehead only in unusual circumstances. The common ownership of the British Columbia cane refinery and the Prairie beet sugar factories assures that sugars produced by these plants will not compete with each other in the region from Manitoba to the Pacific coast.

Because, in effect, only one company controls the production and distribution of sugar in the Prairie Provinces and British Columbia, the capacities of the beet sugar factories and the production of beet sugar are planned so as to supply the demand in the Prairie region. Of course, acreage contracts are a major tool in accomplishing this objective. The 1964 report of the Central Board of the Alberta Sugar Beet Growers to its members stated that:

"Your Board has always been instructed to control and maintain the beet acreage so that there would be only enough beets grown to supply sugar for the market. Growers have never attempted to create a sugar surplus."

The Price Support Program

The returns which Canadian sugar beet growers receive for their beets is made up of a payment per ton of beets by the sugar beet processor (the "net price" in Western Canada) and, in most years, an additional "deficiency payment" per ton of beets, paid by the Federal Government. Since 1957, the Federal Government has supported prices of sugar beets under the terms of the Agricultural Stabilization Act or its predecessor, the Agricultural Prices Support Act. As currently administered, an announcement is made each year, before the crop is harvested, of a "prescribed price" per ton of sugar beets of specified sugar content; the prescribed price is the minimum national average return, to which the deficiency payments are expected to bring growers' total returns per ton of sugar beets containing 250 pounds of sugar (12.5 per cent), for that year's crop.

Deficiency payments are paid on a so-called "standard ton" of beets, that is, a ton of beets containing 250 pounds of sugar or a sugar-content of 12.5 per cent. If the average sugar-content is more or less than 250 pounds per ton, the payment is higher or lower, as the case may be. The "prescribed price" is currently based on the average London daily price (LDP) in effect during the crop year ending August 31, as reported monthly by the International Sugar Council, and is weighted by sales of beet sugar during the period. It is published in the Canada Gazette in the form of a schedule showing the amount per standard ton of beets which will be paid by the Agricultural Stabilization Board (ASB) when the weighted average LDP is at various levels. The schedule implicitly assumes the amount per standard ton of beets which growers will receive from processors, on a national average basis, for any given level of the weighted average LDP. However, the amount paid by the ASB is according to the schedule and regardless of the amount paid by the processor.

No deficiency payment was necessary in 1957, the first year of the program's operation, nor in respect of the 1962 or the 1963 crop, because the sugar from these beets was marketed at a time when world sugar prices were quite high and payments to growers by processors were higher than the announced price support level per ton of beets.

In all other years since 1957 some deficiency payments on sugar beets have been made. Operational details have varied in different years: in recent years the prescribed price per ton of beets has been the same for all provinces, while in earlier years it has varied as between provinces; in some years the method of determining the amount of deficiency payment has been based directly on the relationship between prices received from processors and the announced support price, while in other years the level of payment has been based on the relationship between Canadian refined sugar prices and the reported value of imports of raw sugar or, as currently, on the relationship between the London daily price and prices received for sales of beet sugar.

Except for 1961, the prescribed price has been on a national basis since 1960 and deficiency payments have been based on statistical relationships which were intended to establish the difference between this "national" prescribed price and the national average price paid by processors, per standard ton of beets. The changes in the operational details which have occurred during this period have been mainly with respect to the method of calculating the statistical base from which the prescribed price is established and by which the national average deficiency payment is determined. However, the agency administering the program, currently the Agricultural Stabilization Board, determines the relationship between the calculated statistical base and the estimated return per standard ton of beets which will be guaranteed to producers in any crop year.

It is intended that the average return guaranteed to producers per standard ton of beets should be related to the preceding ten-year average return and the announcement in which the level of support is made public indicates the expected percentage relationship between the prescribed price and the ten-year average return as calculated by the ASB. The following table shows the level of support during the 1960's

together with the returns to producers and the amount of government subsidy per standard ton of beets.

Table 73: Returns to Producers for Sugar Beets Showing
Returns from Processors and Direct Government
Subsidies, Crop Years 1960-61 to 1969-70

Crop Year Ending August 31	Prescribed Price		Received from Processors - dollars	Defi- ciency Payment per ton of beets -	Total Return
	% of prec.	Per			
	10-yr. av. per cent	Ton \$			
1960-61	100	13.18 ^(a)	11.77	1.40	13.17 ^(b)
1961-62	102	13.18	11.62	1.93	13.68 ^(b)
1962-63	106	13.72	18.64	-	18.64
1963-64	109	13.72	18.73	-	18.73
1964-65	104	13.72	11.62	3.15	14.77
1965-66	104	14.35	10.78	6.38	17.16
1966-67	105	14.35	11.00	4.83	15.83
1967-68	114	15.50	10.64	5.41	16.05 ^(c)
1968-69	117	15.98	14.00	3.23	17.23
1969-70	119	15.98	15.33 ^(d)	2.29 ^(d)	17.62 ^(d)

(a) Converted from support level actually announced of \$14.23 per ton of beets yielding 270 pounds of sugar

(b) Includes subsidy of 50¢ per ton paid by Province of Ontario

(c) Excludes a special payment of \$1.31 per standard ton and a transitional assistance payment of \$60 per planted acre, to Ontario growers

(d) Preliminary

Source: Canada Department of Agriculture

Since the 1964 crop, the total return to growers, per ton of standard beets, has exceeded the intended support level in each year, in some years by substantial amounts. In part this resulted from the reported value of imports of raw cane sugar being an inaccurate indicator of the cost of raw cane sugar, partly because of a change in the basis of reporting the London daily price and partly because returns to growers, as calculated, did not bear the same relationship to London daily prices at low as at higher levels of prices. The existing practice of basing deficiency payments on a schedule of London daily prices resulted from some of the problems which arose when using other methods for determining the amount of the deficiency payments.

It is evident from the table that the deficiency payment constitutes a much larger part of the total returns to the grower in recent years than in earlier years. For example, for the crops of 1960-61 and 1961-62 the deficiency payments were 11 and 14 per cent, respectively, of the total return to growers per ton of beets; for the crops of 1965, 1966, 1967 and 1968 the proportions were 37, 31, 34 and 19 per cent, respectively. Thus, about one-third of the amount received by Canadian growers for their beets, in the three years 1965-67, was accounted for by the direct subsidies paid by the federal government as

deficiency payments. The total amount of subsidy paid by the federal government, for each crop, is shown in the following table.

Table 74: Total Deficiency Payments to Growers of Sugar Beets, by Province, Crops of 1957-69

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u> - \$'000 -	<u>Alberta</u>	<u>Canada</u>
1957	-	-	-	-	-
1958	73	530	580	1,473	2,656
1959	77	532	626	1,481	2,716
1960	145	386(a)	447	960	1,938
1961	169	733	289	791	1,983
1962	-	-	-	-	-
1963	-	-	-	-	-
1964	483	965	870	1,715	4,033
1965	850	1,329	1,687	2,977	6,844
1966	693	1,174	1,227	2,708	5,801
1967	691	1,886(b)	1,307	2,443	6,326
1968	609	-	916	2,022	3,546
1969(prel.)	329	-	778	1,376	2,483

(a) Includes payment of 50¢ per standard ton by Government of Ontario

(b) Excludes transition adjustment payment of \$60 per acre, a total of \$967,700; includes special payment of \$1.31 per standard ton of beets, a total of \$367,390

Source: Canada Department of Agriculture

As the preceding table indicates, the total subsidy to sugar beet production increased very substantially from 1964 on, although there was no significant change in sugar beet acreage or production after 1964. In part the increase resulted from the lower prices of raw cane sugar and in part from higher levels of support which prevailed. The level of price support (relative to the 10-year average base price) increased during the period that the deficiency payment program was in effect and, in 1969, the prescribed price was designed to guarantee growers a return per ton of beets which was 119 per cent of the average return of the preceding ten years (the base price); in the period 1958 to 1963, inclusive, the level of support ranged from 93 to 109 per cent of the base price. The 1970 report of the "Task Force on Agriculture" to the federal Minister of Agriculture, in its discussion of deficiency payments, commented "Nor do the above data /the deficiency payments/ take account of the large annual losses involved in the operation of the Quebec sugar beet refinery, which losses are in effect a subsidy to producers".

Deficiency payments per grower also increased substantially during the past decade and averaged over \$2,000 per grower in the Prairies, in three of the five years, 1964-68. Payments per grower in Quebec were much less because of the smaller average acreage and production, per grower, in that province.

Table 75: Deficiency Payments Per Grower, 1964-69

<u>Year</u>	<u>Quebec</u>	<u>Ontario</u>	<u>Manitoba</u>	<u>Alberta</u>	<u>Canada</u>
		-	dollars per grower	-	
1964	398	831	1,123	1,191	879
1965	792	1,756	2,595	2,247	1,799
1966	735	1,701	2,183	2,186	1,689
1967	823	2,714	2,368	2,185	1,974
1968	658	-	1,706	1,870	1,394
1969(prel.)	408	-	1,389	1,331	1,034

Source: Canada Dept. of Agriculture and Annual Reports of Growers' Associations

There are no recent published data regarding the distribution by size of beet sugar operations and, therefore, the averages given above tend to obscure the variation between the amounts of deficiency payment paid to large and to small producers. However, the annual report of the Manitoba Beet Growers Association publishes a list of growers who obtained the highest yields per acre in each crop year, together with the acreage and production of each grower. This list was used to make the comparisons shown in the following table.

The return per acre depends entirely on the harvested yield in tons. Therefore, the high-yield producers obtained considerably higher returns per acre, in all years. In 1967, total returns to the large, high-yield producers were 38 per cent higher, and in 1968, about 29 per cent higher, per acre, than to the other producers; these percentages are the same for returns from the processor and deficiency payments.

Table 76: Returns and Deficiency Payments to High-yield Large-average Growers Compared with Average of All Other Growers, Manitoba, 1967 and 1968

	<u>1967</u>		<u>1968</u>	
	<u>Large</u>	<u>All</u>	<u>Large</u>	<u>All</u>
	<u>Growers</u>	<u>Other</u>	<u>Growers</u>	<u>Other</u>
Acres per grower	163.3	45.7	188.2	51.0
Tons per acre	11.24	8.15	12.97	10.03
Tons per grower	1,834.6	372.4	2,440.6	511.7
<u>Cash returns per acre</u>		dollars per acre		
from processor	135.33	98.10	167.44	129.55
def. payments	64.74	46.93	39.82	30.81
total	200.07	145.03	207.26	160.35
<u>Cash returns per grower</u>		dollars per grower		
from processor	22,089	4,483	31,508	6,605
def. payments	10,567	2,145	7,493	1,571
total	32,656	6,628	39,001	8,176

Source: Report of Annual Meeting of Manitoba Beet Growers Association

The differences in amount of federal subsidy paid to individual growers is apparent from the table. Although the average deficiency payment per grower in Manitoba, exclusive of the large, high-yield producers, was \$2,145 in 1967 and \$1,571 in 1968, the latter received an average of \$10,567 in 1967 and \$7,493 in 1968, nearly five times as much as the others. The subsidies received by the large, high-yield producers were equivalent to the average gross return from 252 acres of wheat in 1967 and 213 acres in 1968.

In the following table an abstract of the Schedule to the Sugar Beets Price Stabilization Order, 1969-70, P.C. 1969-1780, as published in the Canada Gazette of October 8, 1969, is provided in columns 1 and 2. Column 3 of the table sets out the difference between the 1969-70 prescribed price of \$15.98 per ton and the deficiency payment in column 2; it indicates the level of prices per ton of sugar beets which the schedule implicitly assumes that growers are expected to receive from processors, on a national average basis, for a given level of the London daily price. But, whether or not the prices of column 3 are forthcoming from processors when the LDP is at the corresponding level of column 1, each producer in each province will receive from the Stabilization Board the payment listed in column 2, when the London daily price, on an annual basis, weighted by sales of beet sugar, is at the corresponding level of column 1.

Table 77: Relationship of Deficiency Payments to Average London Daily Price of Raw Cane Sugar and Implicit Payment by Processors, Crop Year 1969-70

Column 1	Column 2	Column 3	Column 4
Average L.D.P.	Deficiency Payment	Prescribed Price Less Def. Payment (a)	% Def. Payment of Prescr. Price
\$ per cwt.	\$ per std.	ton of beets	per cent
1.00 - 1.09	7.76	8.22	48.6
1.50 - 1.59	7.03	8.95	44.0
2.00 - 2.09	6.19	9.79	38.7
2.50 - 2.59	5.13	10.85	32.1
3.00 - 3.09	4.14	11.84	25.9
3.50 - 3.59	3.30	12.68	20.7
4.00 - 4.09	2.46	13.52	15.4
4.50 - 4.59	1.64	14.34	10.3
5.00 - 5.09	.85	15.13	5.3
5.30 - 5.39	.37	15.61	2.3

(a) By implication this amount is expected to be paid by processors, on a national average basis

Note: The prescribed price, as announced, was \$15.98 per standard ton

Source: Based on data from The Canada Gazette, Oct. 8, 1969

The expectation, on the part of the ASB, that the LDP as specified in column 1 of the table would result in the payment by processors to producers of prices given in column 3, is based on an examination of the relationships between these variables over a series of past years. The assumption that historical relationships will continue to apply assumes the continuance at the present levels of certain factors, of which the most important appear to be the contractual relationships between grower and processor, the ocean freight rates on raw cane sugar, the overland freight rates on domestic refined cane sugar, the duty on imported sugar, and the cane refiners' margins.

If the sharing, by Prairie producers, of the net returns for beet sugar and by-products were altered, the producers' return per ton of beets would be changed. Also, if the freight rates on the movement of raw cane sugar to Canada, or on the movement of refined cane sugar from Canadian cane sugar refineries to markets normally served by Canadian beet sugar were increased, returns to processors and, therefore, to growers, would be higher because beet sugar tends to be priced in relation to the laid-down cost of cane sugar in competitive markets.

Similarly, if Canadian refiners maintained their usual processing margins, changes in the rates of duty on raw sugar entering Canada would be reflected in changes in the level of returns for sugar beets because of the probable effect of the changes on prices of beet sugar and, therefore, on returns to the processors in which producers share. Accordingly, any changes in the rates of duty, that would affect the price of sugar in Canada, would presumably require consequential changes in the mechanics of operating the price support program, since the changes would affect the payments by processors to growers and yet would not affect the level of the LDP, to which Canadian deficiency payments are at present related.

The intent of the deficiency payment program is to guarantee the producer a return per ton of beets which bears a pre-determined relationship to the average return of the preceding ten years (the base price). Because payments are currently specified in a schedule of relationships between the LDP and the deficiency payment per standard ton of beets, there is no provision for a change in the amount of deficiency payment per ton when the actual average payment by processors is different from that implicit in the schedule. As noted earlier, in recent years this has led to average returns to growers which were higher than the prescribed price.

The sugar beet processor is not protected by the deficiency payments against variations in the level of refined sugar prices; any change in the level of prices for competitive refined cane sugar in the beet factory's market area, whether such changes are brought about by tariff changes, freight rate changes, or changes in raw cane sugar prices, will normally have a direct impact on prices of beet sugar.

However, although processors of sugar beets receive no direct assistance under the price support program, they are indirectly benefited by the program, because it tends to ensure that there will usually be a sufficient acreage planted to sugar beets to make the operation of beet sugar factories economically feasible. In Ontario,

of course, the deficiency payment program did not prevent the closing of the beet processing plant, but the Ontario situation was complicated by circumstances which do not appear to exist in the other producing areas.

In Quebec, the beet sugar factory is admitted by its management to be equipped with obsolete machinery (Vol. 5, p. 744) and it has a different form of contract with the growers. The effect of the federal deficiency payment program, along with the provincial subsidy implicit in the factory's operating losses, has encouraged farmers to seek contracts to grow sugar beets. A spokesman for the Raffinerie de Sucre de Québec testified that the factory had received 158,000 tons of beets in 1969, whereas if it had been operating according to a normal, 80-day, processing schedule, it would have processed only 128,000 tons. (Vol. 5, p. 750, 751); in 1968, the unusually large acreage planted coupled with high yields resulted in a production in Quebec of 203,606 tons of beets. Thus, the various subsidies have encouraged the production of a volume of sugar beets in excess of the plant's normal capacity.

A price support program which operates on a deficiency payment basis lets the market price find its own level, thus permitting consumers to obtain the benefit of lower prices and of expanding their consumption. This is in contrast to other methods of supporting prices, which usually involve a minimum price and require governmental purchases of the product at the minimum price, in conjunction with some system of import controls or high tariffs, in order to maintain market prices at the specified minimum.

The protection of a domestic industry by direct subsidies, through deficiency payments, is currently considered preferable to guaranteed minimum prices in the economic literature. It is referred to as "scientific protectionism" by Prof. R.H. Snape, in an article in "Economica" of February 1963, entitled "Some Effects of Protectionism in the World Sugar Industry". Professor Harry G. Johnson also uses the term in discussing the subject of sugar protectionism, on pages 265 and 266 of his study entitled "Economic Policies Toward Less Developed Countries". Professor Johnson states that, according to his rough estimates, "... replacement of the present national systems of protection [of sugar] by deficiency payments (scientific protectionism) would increase the export earnings of these [the less developed] countries by about half a billion dollars ..."

The Effect of the Customs Tariff

At the public hearing, both processors and producers of sugar beets opposed any change in the level of tariffs either on raw or refined sugar. A representative of the producers was asked what he would say to the proposition that a larger proportion of the beet producer's revenue should come from tax revenues, in the form of subsidies of one kind or another and a smaller proportion from the users of sugar, that is, by way of prices enhanced by the tariff. The answer was that sugar beet growers would not favour such a proposal. (Vol. 5, p. 779)

The nature of the deficiency payment program introduces difficulties in evaluating the impact of the Customs Tariff on growers of sugar beets because of the annual fixing of the prescribed price.

Superficially, it could be said that returns to sugar beet growers would not be affected by a change in rates of duty on sugar so long as payments by processors for beets were less, on average, than the prescribed price. However, this assumes that the federal government would be prepared to increase the amount of the deficiency payment to make up any difference in returns to growers represented by the duties on sugar if rates were lowered, that the present scale of deficiency payments would be reduced to the extent of the change in rates, if rates were increased and that the processors would continue their present buying policies. Of course, when the average LDP was at a level where no deficiency payments would be made and, therefore, when payments by processors were expected to exceed the prescribed price, producers would be affected to the extent that any rate of duty affected the price of sugar and, therefore, returns to growers.

The existing rates of duty on sugar of 96° polarization, used for refining, are 28.712 cents, B.P. and \$1.28712, M.F.N., per one hundred pounds. As is discussed in other sections of this report, a Canadian sugar refiner must pay the B.P. duty of 28.712 cents plus 75 cents of the \$1.00 margin of preference, or a total of approximately \$1.04 per hundredweight above the London daily price, when he purchases sugar for refining. If it required 107 pounds of 96° sugar to produce 100 pounds of refined sugar, as claimed by refiners, the effect of the existing B.P. rate of duty on raw sugar, together with the share of the preferential margin paid by Canadian refiners, would be to enhance the cost of refined sugar by approximately \$1.11 per hundredweight. The B.P. rate on refined sugar (sugar whose polarization exceeds 99°) under tariff item 13400-1 is \$1.09 per 100 pounds, indicating that it would make little difference whether the effect of the tariff on prices of beet sugar were assessed on the basis of the rates which apply to refined instead of raw sugar.

Some indication of the effect of the tariff on Prairie producers of sugar beets is given in the following table. Although the calculations relate to Manitoba, they would apply to Alberta as well with only minor changes because of differences in the contracts in the two provinces. However, the sugar content of beets, the production of beets per acre and the average beet acreage per farm, are different in the two provinces and could lead to significant differences in returns in particular years. The calculations assume that costs to the processor of marketing beet sugar would have been the same as they were in the absence of tariff protection and that returns for by-products would also have been unchanged. They also assume that refiners are passing on the full amount of the tariff and that they would reduce refined prices by the amount of the duty if it were removed.

Table 78: Calculated^(a) Effect of the Customs Tariff on Returns to Manitoba Producers, for Crops Produced in 1967 and 1968

				1967		1968
Gross return to plant:						
actual, with Tariff	\$/cwt. sugar			7.997		9.187
without Tariff	" "			6.897		8.087
<u>Without Tariff</u>						
Sales expenses	" "			.722		.708
Net return to processor	" "			6.175		7.379
Growers' share of sugar	% of net			59.0		60.758
	\$/cwt. sugar			3.643		4.483
Growers' share of by-products	" "			.116		.097
Total to grower from processor	" "			3.759		4.580
	\$ per ton of beets			10.01		10.88
				1967		1968
Received from Processor	Actual	Without Tariff	Diff.	Actual	Without Tariff	Diff.
\$ per ton of beets	12.04	10.01	2.03	12.91	10.88	2.03
\$ per grower	4,963	4,127	836	7,161	6,035	1,126

(a) Calculated on the assumptions stated in the text

Of course, the total returns to growers, per ton and per farm, would be greater if the deficiency payment were included. In 1967, the deficiency payment in Manitoba was \$5.76 per ton of beets and averaged \$2,374 per farm; in 1968, it was \$3.07 per ton and \$1,703 per farm. However, it is apparent that the effect of the existing duties on imported sugar on the amount received from the processor per ton of beets is substantial and, in conjunction with a large crop, as in 1968, would have a significant impact on returns to growers.

The above calculations do not, of course, apply to producers in the Province of Quebec, who, for the last several years, have been assured by the Raffinerie de Sucre de Québec of a return of \$13.00 per ton of beets, regardless of the factory's returns from sales of sugar and by-products. If, however, as is likely, the effect of the tariff on returns to the factory is of the order of \$2.00 per ton of beets, the additional subsidy which the Government of Quebec would have been required to pay, to maintain the factory payments to the growers in the absence of tariffs on sugar, would have amounted to about \$267,000 in 1967 and \$407,000 in 1968. The factory's losses in the two fiscal years which correspond most closely to the 1967 and 1968 crop years were \$1.0 million and \$1.2 million, respectively. (Vol. 5, p. 724)

It was noted earlier that there are only minor differences in the terms of the contracts of Manitoba and Alberta sugar beet growers, but that there may be substantial differences in the yields per acre and the sugar content of the beets in the two provinces. It was also noted that yields per acre, in Quebec, are generally higher than in the two Prairie Provinces but that the nature of the contract is quite different in that, for a number of years, the price paid by the Provincial Government sugar beet factory has been \$13.00 per ton regardless of the sugar content of the beets or the gross and net returns to the factory from sales of sugar and by-products. However, for purposes of rough comparison, it has been assumed that the estimated effect of the tariff per ton of beets and per acre differs in Alberta and Quebec, from that in Manitoba, only by reason of differences in sugar content of beets and yield per acre. It is recognized that in Quebec the benefit of the existing protection may result mainly in smaller deficits to the sugar beet factory rather than in direct benefits to the growers but, in what follows, for purposes of comparison, it is assumed that the factory would reduce its price to growers as the price of sugar declines.

Table 79: A Rough Comparison of the Estimated Effect of the Existing Tariff on Sugar Beet Production, 1967 and 1968

	Approximate Effect of Tariff Protection					
	Per Ton of Sugar Beets			Per Acre of Sugar Beets		
	<u>Que.</u>	<u>Man.</u>	<u>Alta.</u>	<u>Que.</u>	<u>Man.</u>	<u>Alta.</u>
	\$ per ton			\$ per acre		
1967	1.82	2.03	1.98	27.65	17.11	25.64
1968	1.98	2.03	2.24	35.42	20.83	34.07

Costs of Transportation of Sugar as Protection

In addition to the protection provided by the duties on raw and refined sugar, and in addition to the assistance provided by the federal deficiency payment program, producers of sugar beets in western Canada derive a measure of market protection from their geographic location.

Since it is a matter of pricing policy on the part of the management of the western beet factories to price their output at a level which will just undersell the landed price of competitive refined sugar in their respective market areas, it follows that sugar prices in Manitoba, for example, will normally be higher than those in eastern Canada by an amount roughly equal to the freight cost of bringing sugar from Montreal to Winnipeg. As of June 1970, according to Tariff 500, Item 16210 of the Canadian Freight Association, the freight cost of shipping 100 pounds of sugar by rail from Montreal to Winnipeg, in lots of 100,000 pounds, varied from \$1.51 to \$1.59, depending upon whether all-rail or some combination of water-and-rail transportation was used. Roughly, then, the fact of location can be said to add about \$1.50 per hundred pounds to the price of sugar in Manitoba, at the wholesale level.

The impact on sugar beet producers of this "geographic protection", of \$1.50 per hundred pounds of beet sugar, will vary depending upon the actual level of the beet sugar price; this follows from the nature of the producer-processor contracts, which allocate to the producer a different percentage of the net returns on sugar for different levels of net sugar prices. By way of illustration, the case of a Manitoba farm producing 50 acres of sugar beets, yielding 11 tons per acre, in a year when the provincial average sugar yield is 250 pounds per ton of beets, may be cited; such a farm would receive payment for 137,500 pounds of sugar. Based on the 1969 contract, if the net return, f.o.b. factory, for sugar had been \$8.50 per hundred pounds, the producer would have received 63 per cent of \$8.50, or \$5.355 per hundred pounds, on his 137,500 pounds of sugar, for a farm return from the processor of \$7,363.

Had the \$1.50 "geographic protection" not been in effect, the f.o.b. factory price of sugar would have presumably been \$7.00 per hundred pounds. In such a situation the farmer would have received 60 per cent of \$7.00, or \$4.20 per hundred pounds, on his total sugar production, for a farm return from the processor, for the sugar in his total beet production, of \$5,775. Accordingly, for a reasonably representative Manitoba beet farm, the value of the protection provided by geographic isolation from the sources of refined cane sugar production would amount to about \$1,588 per farm of 50 acres, per year, when beet sugar prices are at \$8.50 per hundred pounds.

If the net beet sugar price, f.o.b. factory, had been lower, the impact of geographic situation would be less. If f.o.b. factory prices had been \$6.50, the grower would have received 59 per cent of that price, or \$3.835 per hundred pounds of sugar in the beets supplied to the factory, for a farm return from sugar of \$5,273. The \$6.50 in this case would also include the element of \$1.50 in freight protection. Had it not existed, the net price of sugar would have been \$5.00 per hundred, the farm share again would have been 59 per cent, or \$2.95 per hundred pounds, and the farm return for the sugar in the 137,500 pounds of beets supplied would have been \$4,056. Similarly extended, the value of the freight protection to an average Manitoba farmer, when the f.o.b. factory net price of sugar is \$6.50, is about \$1,217.

In summary, when beet sugar prices, f.o.b. factory in Manitoba, fall within the range envisaged in the producer-processor contracts in that province, the value to a Manitoba farm of 50 acres of the protection implicit in geographic situation ranges from about \$1,200 to \$1,600 per year.

However, the foregoing statement must be qualified in the light of the impact of the price support program. Since, as noted elsewhere, that program has the effect of ensuring producers a more stable return, so long as the London daily price is below about \$5.50 per hundred pounds, it follows that the effect of freight protection on the output of the Manitoba industry, when the LDP is below the specified level, will be felt not as an enhancement of the income of sugar beet growers, but rather as an increase in the proportion of that income paid by the processor, and a decrease in the proportion paid by the Government. The freight cost of sugar moving into Manitoba

will tend to reduce the cost to the federal treasury of supporting the farm price of sugar beets at the specified level.

The freight cost on competitive sugar moving into Manitoba does, of course, redound directly to the advantage of the beet-processing factory, in proportion to the factory's share of the net f.o.b. factory price of sugar.

Substantially the same situation as herein described in respect of the Manitoba sugar beet operation would apply to the Alberta sugar beet enterprise also, with the modifications that in this case the important freight rates to be considered would be the rates on refined sugar moving from Vancouver to points in Alberta.

In Quebec, no "geographic protection" is available to beet producers; the output of the Raffinerie de Sucre de Québec must be sold in direct competition with the output of the three cane sugar refineries located in Montreal, and of the Saint John refinery which sells in Montreal at prices comparable to the Montreal refineries' prices.

In 1967 and 1968, the cost of freight on refined sugar shipped from Montreal to Winnipeg was about \$1.50 per 100 pounds. According to the contracts current in those years and gross and net returns to the sugar beet factory, the effect of this cost of freight on returns to Manitoba producers was about \$2.36 per ton of beets in 1967 and \$2.16 in 1968; per acre, the effect of the cost of freight was about \$19.89 in 1967 and \$22.16 in 1968. The effect of freight on returns to Alberta growers would have been about the same per ton of beets but, because of higher yields, it would have been of the order of \$30 per acre in 1967 and \$33 per acre in 1968.

Taking into account both the approximate effects of the existing tariff protection and freight, the total protection, of both, on returns to growers is shown below.

Table 80: Approximate Effect of the Protection of Tariffs and Costs of Freight on Returns to Growers of Sugar Beets, 1967 and 1968

	Per Ton of Sugar Beets			Per Acre of Sugar Beets		
	<u>Que.</u>	<u>Man.</u>	<u>Alta.</u> (a)	<u>Que.</u>	<u>Man.</u>	<u>Alta.</u> (a)
	\$ per ton			\$ per acre		
1967	1.82	4.39	4.33	27.65	37.00	45.53
1968	1.98	4.19	4.40	35.42	42.99	56.23

(a) The effect of the cost of freight per ton of beets is assumed to be the same as in Manitoba

As the previous discussion indicates, distance from alternative sources of supply of sugar provided generally greater protection to Prairie growers in 1967 and 1968 than the existing tariff items, and the extent of the protection of distance and the tariff, taken together, is very substantial. As noted, the output of the Raffinerie de Sucre is exposed to the direct competition from Montreal refineries.

Of course, the effects of the tariff protection which is available and the cost of freight would have long since been incorporated in the pricing and contractual arrangements respecting beet sugar and sugar beets in western Canada. For example, the combined effect of the protection afforded by the Customs Tariff and distance from competitive supplies on the prices of Prairie beet sugar would have had to have been taken into account in the gross return received by the beet sugar factories, and this in turn would have affected the net return schedule specified in the contracts between the beet sugar factories and the sugar beet growers.

SUMMARYSugar

The sugar of this Reference, in its chemically pure form, is known as sucrose and is described by the formula $C_{12}H_{22}O_{11}$; composed of hard, white, dry crystals, it has a sweet taste, is odourless and is soluble in water.

Commercially, such sugar is extracted or produced either from sugar cane, a plant grown only in the warmer climates, or from the sugar beet.

Throughout this Report, the term sugar, used without qualification, designates only the sugar known as sucrose.

Beyond sugar itself, raw or refined, the Reference encompasses such allied goods as liquid sugar, invert sugar, syrups of sugar cane or sugar beet, molasses powder and shredded sugar cane. Clearly outside the scope of the Reference are such products as maple sugar, maple syrup, honey, glucose, glucose syrup, corn syrup and those chemically pure sugars classified in tariff item 92943-1.

One submission made to the Board suggested the existence, among certain sugar interests, of a cartel or conspiracy in contravention of the Combines Investigation Act or the Criminal Code. The Board deemed any finding relating to such a contravention of either law to be beyond its jurisdiction and within that of other agencies, tribunals or courts; indeed, at the opening of the public hearings it made its views on this score known to all parties (Vol. 1, pp. 23 to 27); at the same time it also made it clear that it was interested in all the circumstances surrounding the trade and commerce in sugar for the purpose of its own inquiry; it specifically stated its interest in facts revealing the degree and character of competition or the stifling or absence of competition in relation to the issues properly before the Board (Vol. 1, pp. 28-9). The Board's interest in such matters is related to its own inquiry and not to any finding related to any purported contravention of any law of the land.

Canada's domestic sugar industry consists largely of six refineries which refine imported cane sugar and four beet sugar factories which make sugar from domestically grown beets. These ten industrial plants are controlled by only six corporate interests.

The six cane refineries and the corporations which operate them are: (1) Atlantic Sugar Refineries Co. Ltd., "Atlantic", at Saint John, N.B.; (2) St. Lawrence Sugar Limited, "St. Lawrence", at Montreal; (3) Cartier Sugar Limited, "Cartier" (owned to the extent of over 90 per cent by Steinberg's Ltd.), at Montreal; Canada and Dominion Sugar Company Limited, "C. & D." (owned to the extent of over 56 per cent by Tate & Lyle Limited of England, with a refinery (4) at Montreal and another (5) at Toronto; (6) British Columbia Sugar Refining Company Limited, "B.C. Sugar", at Vancouver.

Of the four beet sugar factories, three are operated by wholly owned subsidiary companies of B.C. Sugar: (1) Canadian Sugar Factories Limited at Taber, Alta; (2) Canadian Sugar Factories Limited at Picture Butte, Alta; (3) Manitoba Sugar Company Limited at Winnipeg, Man.; (4) the fourth is operated at St-Hilaire, Que., near Montreal, by the Raffinerie de Sucre de Québec, an agency of the provincial Government.

Some of the companies engage in other industrial enterprises in addition to sugar. C. & D. has acquired the Daymond group of companies to produce processed aluminum and plastic products; Atlantic, through subsidiary companies, is engaged in the production of wood pulp and the taking and processing of groundfish and tuna; B.C. Sugar is engaged in the production of folding cartons and corrugated boxes.

The domestic sugar industry is a capital-intensive industry. It employs some 3,000 persons and pays salaries and wages in excess of \$20 million annually.

Refined, white, granulated sugar is the most important product of our refining industry: nearly 75 per cent of the quantity and value, in 1969, of the total output of sugars and molasses. To be sold as "sugar" the product must be at least 99.8 per cent sucrose under Canadian regulations. The brown or yellow soft sugars are largely a Canadian specialty; but beet sugar factories do not produce soft sugars and two of the cane refineries do not: C. & D. at Toronto and Cartier. The soft sugars must contain at least 90 per cent sugar and invert sugar; in 1969, soft sugars accounted for six per cent of the total domestic output of sugars. Invert sugar, obtained by the hydrolysis of sugar (sucrose), consists of equal parts of glucose and fructose nearly always sold in liquid form either alone or in a mixture with liquid sugar. Liquid sugar is merely sugar dissolved in water. Both components of invert sugar -- glucose (dextrose) and fructose (levulose) -- are "reducing sugars". Golden syrup or refiners' syrup contains a mixture of sucrose and invert sugar; it is manufactured in Canada only by B.C. Sugar in Vancouver but such a syrup made by Tate & Lyle Limited of Britain is marketed in Canada by C. & D.

Molasses for human consumption is usually qualified by a word such as "table", "fancy" or "Barbados"; it is not produced in Canada. Inedible molasses, a by-product of sugar production, is made in Canada and used for animal feeds or in the production of yeast or alcohol; this molasses is usually qualified by a word such as "refiners' ", "blackstrap", "cooking" or "beet"; negligible quantities of inedible molasses may sometimes be consumed as a "health" food.

Raw sugar accounts for some 70 to 90 per cent of operating costs of the cane sugar refineries, depending on world prices of raw sugar. Because of this circumstance, the "refiner's margin" is a significant measure of the industry's performance; the refiner's margin is taken to be the difference between the refiner's selling price of refined sugar and the cost of an equivalent amount of raw sugar.

Omitting the cost of raw sugar, the average operating costs of our refineries rose from \$1.31 in 1966 to \$1.38 in 1969 per one hundred pounds of all refined products. The Montreal refineries have higher operating costs than the others; variations between individual refineries reach as much as \$1.00 per one hundred pounds. There appears to be little relationship between unit costs and mere volume of output.

Beyond the foregoing operating costs, overhead costs and profit are the other elements entering into the refiner's margin. In 1969, the Canadian refiners' margin was \$3.80 per one hundred of refined products, broken down into total costs of \$2.37 (including operating costs of \$1.38) and profits of \$1.43. However, there were significant variations; for instance, the profit element for the Montreal refiners was \$0.98 and for the others \$1.77, per 100 pounds of refined products. Unit costs are not closely related to profits or margins and the same is true of costs and profits.

Canada's market for refined sugar is about two billion pounds annually, valued at about \$150 million; of this total, only 12 to 14 per cent is beet sugar. Imports are quite negligible, less than one per cent, and exports are in the neighbourhood of only two per cent. Per capita consumption is about one hundred pounds annually. Of the domestic consumption, about 60 per cent is industrial use and about 40 per cent is household or institutional use. In recent years, there has been a distinct increase in the use of liquid and of invert sugar for industrial purposes; on the other hand, the consumption of soft or brown sugars has fallen by almost one half.

The cost of shipping liquid sugar, per unit weight of contained sugar, is such that a Montreal refiner like St. Lawrence, ships its granulated sugar to Toronto for liquefaction and distribution there.

Competitive products to which the Board's attention was drawn comprised: (1) glucose (corn syrup) and dextrose (corn sugar), (2) non-nutritive chemical sweeteners such as cyclamates and saccharin, (3) food alcohols such as sorbitol or mannitol, (4) fancy molasses and (5) honey. Little information was available on the degree of their competitiveness; in part this is because many of these products are used as sweeteners for special reasons or properties where sugar would not be used in any event.

Canadian refiners are using more and more raw sugar of high polarization, ordinarily between 97° and 99°. Above 99° under the B.P. Tariff and above 98° under the M.F.N. Tariff, there is a sharp increase in rates of duty which tends to keep Canadian imports -- almost all from B.P. countries -- below 99°. Sugar purchase contracts usually protect the Canadian buyer by transferring to the seller the cost of the additional duty if the sugar exceeds the usual specified maximum polarizations of not more than 99° for B.P. sugars and not more than 98° for those of M.F.N. origin.

Canadian refiners buy their raw sugar thorough sugar brokers; the brokers in Canada operate branches of international brokerage offices. According to the evidence there is no corporate relationship between the brokers and either the Canadian refineries or their

suppliers of raw sugar. Beyond bringing seller and purchaser together the broker often plays a rôle in obtaining shipping space.

For raw sugar, the Caribbean area is treated as a world price-basing point. Caribbean sugar is traded on the New York and London sugar exchanges, but for Canadian refiners, the more important price is usually the London Daily Price, "LDP", a price calculated each day by London sugar brokers for Caribbean raw sugar, c.i.f. London; adjustments are made, of course, to take into account differences in freight rates to Canadian destinations.

Partly as a result of the existing preferential margin of \$1.00 per 100 pounds on sugar of 96° of polarization from B.P. sources a premium, currently about 75 cents per 100 pounds, is added to the free market price (the LDP) which makes its cost about 25 cents less per hundred pounds than that of M.F.N. sugar inclusive of duty. There have been instances also of discounts of 25 to 30 cents on M.F.N. raw sugars entering Canada. Differing freight costs to different Canadian ports also affect the cost to the refiner.

The pricing of refined sugar by Canadian refiners and beet sugar factories is characterized by some rather unusual features. Montreal and Saint John are basing points and their base prices for granulated white sugar are typically equal; prices at Toronto, another basing point, are 20 cents higher per 100 pounds than at Montreal and Saint John. At Vancouver, prices are ordinarily about 10 cents per 100 pounds higher than at Montreal, but may be as much as 25 cents higher or 10 cents lower.

By a system of freight equalization, suppliers offer sugar at delivered prices equal to the base price plus freight from the base point with the lowest total cost to the purchaser. As a result of the Maritime Freight Rates Act, it is, of course, cheaper to ship sugar from Saint John to Montreal than from Montreal to Saint John. Because list prices at Toronto are higher by 20 cents per 100 pounds than at Montreal and Saint John, refineries at the latter locations, when shipping to Toronto, need only absorb the freight cost to Toronto to the extent that it exceeds 20 cents per 100 pounds. The rail freight to Toronto from Montreal exceeds 30 cents and from Saint John, 40 cents per 100 pounds, so it seems clear that the existence of the refinery in Toronto benefits the consumers in the area.

It is, of course, true that there is an additional cost in shipping raw sugar for refining to Toronto instead of Montreal -- something of the order of eight cents to $11\frac{1}{2}$ cents per 100 pounds. The Toronto-Montreal price differential for refined sugar thus appears to be larger than the additional cost of shipping the raw sugar to Toronto and appears to have been based upon the cost of shipping refined sugar from Montreal to Toronto. The Toronto refinery, owned by C. & D., is competing with the refiners in Montreal and, indeed, Saint John.

The Saint John refinery, apart from certain domestic freight rate advantages, has further advantages in ocean freight rates on raw sugars amounting to some four cents to six cents per 100 pounds of refined sugar and lower wage rates equivalent to about five cents per 100 pounds. In such circumstances it might be expected that the base price in Saint John would be lower than it is in Montreal, but this is not so.

It thus seems that base prices or list prices may be related to considerations beyond mere production costs.

Though soft sugars are not produced in Toronto, their prices are subject to the same 20-cent differential compared to Montreal and Saint John.

Vancouver is the basing point for the three westernmost provinces; in Manitoba there is a discount of 15 cents per 100 pounds on beet sugar although in Alberta beet sugar prices appear to be priced in direct relation to cane sugar prices. In the result, sugar prices are highest in some areas of Saskatchewan, declining both to east and west. Western prices, apart from those in Manitoba, appear to be related to Vancouver prices plus freight. Throughout the West, sugar is supplied by one supplier only: B.C. Sugar with its cane refinery in Vancouver and its subsidiary beet sugar companies in Alberta and Manitoba; however, some small quantities of eastern cane sugar are sold in Manitoba.

Table 21 shows the gross returns to the producer at certain selected centres in the West; it indicates higher returns for Alberta beet sugar from Alberta's western border to Regina and Saskatoon than would be available to the Winnipeg or Vancouver plants; it also indicates that beet sugar is unlikely to supply the British Columbia market except in very unusual circumstances; indeed, within the Prairie Provinces it appears that the beet sugar factories would receive a substantially higher gross return than the Vancouver refinery.

Basic list prices for sugar are for 100-pound paper bags of white granulated sugar and the prices of refiners' other sugar products are established by differentials relative to this price. On any given date, all refiners selling sugar east of Manitoba normally have the same list prices for the same products at any one location.

The basic refined sugar price is related at any moment to the LDP for "free market" sugar by means of a formula. Only St. Lawrence revealed its formula publicly but it does not appear that the other refiners' formulae differ in any important ways. The formula involves the LDP (the price of raw sugar, c.i.f., London, England) adjusted for polarization, freight, duty, preferential premium, handling costs and yield of refined sugar. On January 16, 1970, this was \$5.162 per 100 pounds at Montreal compared with a list price of \$8.085 (\$8.250 less a two per cent discount for early payment) per 100 pounds for refined sugar at Montreal, thus establishing a refiner's margin of \$2.923 on that day.

In pricing, the eastern refiners appear to follow the leadership of C. & D.; the other refiners assume that the refiner's margin in the formula used by C. & D. will remain constant in the short run and thus can foresee with accuracy changes in C. & D.'s prices. The other companies thus really derive their margins from C. & D.'s list prices rather than using their own particular margins to determine their own particular prices. It would seem that, even for refiners selling at the same price in the same market, each margin should be different in the absence of the unacceptable assumption of identical costs for raw sugar in each refinery. Nevertheless, the pricing policy of all refiners assumes identical refiners' margins across the board;

consequently, it would appear that profits should reflect variations in efficiencies or other factors which, elsewhere, might also be apparent in price competition.

With a price "leader" and price "followers" in such circumstances, cost-saving innovations by a follower would accrue entirely to the innovator without benefit to his customers in lower prices.

Table 24, which compares refiners' margins in Canada, the U.S.A. and Britain, over the last ten years, shows the Canadian refiners' margin to have been \$2.68 on the average, an average excess of 29 cents over that in the U.S.A. and 68 cents over that in Britain. The wider Canadian margin represents the additional cost to Canadian purchasers because of the Canadian refiners' greater costs or greater profits per 100 pounds of refined sugar.

In recent years, total annual shipments of granulated cane sugar have been about 1,340 million pounds; in 1970, the Canadian refiner's margin exceeded that in the U.S.A. by 38 cents and that in Britain by 99 cents per 100 pounds. The relationship of the figures for 1970 suggests a total additional cost to Canadian buyers of about \$5 million relative to U.S. refiners and about \$13 million relative to British refiners. These differences appear possible only in a market protected by internal institutional factors, duties on refined sugar, transportation costs of competitive supplies or any combination of such factors.

The variations in individual margins suggest unusually big differences in levels of costs and profits in an industry without failures for decades and two new entrants in recent years, in spite of a large excess of refining capacity even before the new plants were established; one of the two was a new plant of an established refiner. This additional capacity exceeded that of the Ontario beet sugar factory which was closed in 1968.

In a competitive market with small profit margins, high cost companies might be expected to incur significant losses upon occasion; such a situation could develop for the three refineries at Montreal and the one at Saint John. For the Vancouver refiner, the only competition is that of potential imports which the existing rates of duty make unlikely. The Toronto refinery enjoys a protection from domestic competition arising out of costs of transportation, a protection, however, less than that of the Vancouver refinery.

The fact that the Canadian refiners' margins are considerably higher than those of refiners in the U.S.A. and Britain is suggestive of a relatively high measure of protection from a combination of circumstances: a relatively high level of duties in the Customs Tariff, the existence of non-tariff barriers such as the regulations requiring that only "sugar" be used in the processing of certain products, insulation from competition arising out of transportation costs, institutional factors involved with stocking, financing and distributing a variety of package sizes for several kinds of product, or some combination of these various circumstances.

The costs, returns, refiners' margins and profits show wide variations regionally and even individually where operations are in a more or less homogeneous market area.

Many of the circumstances of the industry suggest that there is perhaps not as great a degree of competition as might be desirable in the public interest. The practice of pricing by formulae not necessarily directly related to competitive market situations together with basing point prices accompanied by freight equalization may tend to excessively high margins, rigidities of prices and area differentials comforting to each producer.

Table 28, comparing the financial performance of the industry with that of other industries, appears to confirm that greater competition could have beneficial effects; indeed the profit ratios of the sugar refiners exceed, by a wide margin, the average of all manufacturing industries in every year and with respect to each of the four indicators in the table.

As a percentage of sales, profits appear high for an industry selling an undifferentiated, low-cost product in large volume. The published annual reports of the three biggest refiners show substantial profits in almost every year since 1960 and no losses.

Neither imports nor exports of refined sugar have been a significant market factor in Canada over the last quarter century. Over the last twenty years imports have been less than one-half of one per cent of consumption most of the time, have exceeded one per cent in only five years and, in the year of largest imports, amounted to only 2.4 per cent. Imports are in bags of about 100-pounds, presumably for industrial use.

For commercial reasons, exporters of raw sugar to Canada appear to be reluctant to compete in the Canadian market for refined sugar. The most probable sources of import competition in refined sugar at present are, among B.P. countries, Britain, and, among M.F.N. countries, European countries. The figures in the Report indicate that British refined sugar would be only marginally competitive in Montreal. The cost of insurance and freight affords Canadian refiners a greater element of protection than do the B.P. rates of duty on refined sugar.

At the hearing some apprehension was expressed about potential competition in refined sugar from Cuba -- a competition which has existed in the past but not in recent years. A calculation of the landed price of such sugar, assuming a Cuban refiner's margin of \$2.00, the margin which prevailed in Britain in 1970, would still allow the Canadian refiner an advantage of 67 cents per 100 pounds. Beyond this there are other protective factors: risk of price change between time of purchase and of delivery, costs of delivery, storage, handling and financing.

It seems that the rates of duty on refined sugar and the distance of Canadian markets from potential foreign suppliers provide Canadian refiners with considerable protection. This is confirmed by the large existing refiner's margin, the high returns of refiners, the excess capacity of the refining industry and the extremely large proportion of domestic consumption supplied by the domestic industry.

Canadian refiners also have an advantage as suppliers of the domestic market arising from the variety of services they provide such as the assurance of continuity of supply, the provision of contracts with fixed prices over a period, rapid delivery, credit terms, technical advice, assurance of a high degree of quality and the availability of liquid sucrose and invert sugar alone or in mixtures. An additional advantage is the reluctance of raw sugar suppliers to compete against buyers so important to them.

Our important imports are in the field of raw sugar. Of our total consumption of some two billion pounds of refined sugar, a little over one-quarter of a billion pounds is domestic beet sugar, the remaining $1\frac{3}{4}$ billion pounds being sugar refined from imported raws. Throughout the last decade Canada has imported over 90 per cent of her raw cane sugar from B.P. countries. Of the sugar imported under the M.F.N. Tariff, largely for purposes subject to drawback of duty Cuba has supplied close to 85 per cent in recent years. Our total imports are now about one million tons annually. Canada is the world's second largest importer of free market sugar, after Japan, and accounts for some 15 per cent of the world's free market sales.

Over the last decade, the Commonwealth Caribbean countries have supplied less and less to the Canadian market; originally they supplied three-quarters of our B.P. imports; from 1950 to 1964, the average volume of B.P. Caribbean imports was some 300,000 tons; since then it has declined and, in 1970, had fallen to only 53,000 tons or only some six per cent of the B.P. total. Over the last dozen years Australia and Mauritius have increased their exports to Canada and, since 1960, the Republic of South Africa has been assuming more and more importance; in several recent years it has been Canada's largest single supplier of raw sugar.

For the Commonwealth Caribbean countries, the more attractive prices of the Negotiated Price Quotas under the Commonwealth Sugar Agreement and of the quota sugar under the U.S. Sugar Act have attracted their exports to Britain and the U.S.A. Also, production in the Caribbean countries has not been increasing, though domestic consumption has. In the result, Canada has become a market of diminishing importance for these countries.

Although prices under the Commonwealth Sugar Agreement and the U.S. Sugar Act have also attracted increasing imports from all other B.P. countries, except South Africa, the premium paid by Canadian refiners on B.P. imports of raw sugar has made Canada the most attractive destination for the large supplies of free market sugar available from these countries.

International prices for raw sugar are based on 96° of polarization with a premium in price for higher polarization. Canadian imports now tend to be of polarizations in excess of 98°.

The existing duties on raw sugar of 96° of polarization provides a preferential margin of \$1.00; of this \$1.00, the B.P. supplier currently receives about 75 cents. From Table 40, it appears that the premium paid by Canadian refiners generally makes Canada a more attractive destination than any other country for free market raw sugar from B.P. sources. The calculations in Table 42 indicate that a

premium of as little as 50 cents per 100 pounds on sugar of 96° of polarization would give higher f.o.b.s. returns to B.P. exporters on sales to Canada than on sales to other purchasers of free market sugar; for areas beyond the Caribbean, freight cost adjustments may affect a substantial part of the higher f.o.b.s. return.

The 75 cents of premium on B.P. sugar prices makes this sugar unattractive to importers entitled to drawback of duty on exported products: the premium is not part of the duty and therefore not subject to drawback. In consequence, Canadian exporters of sugar-containing products prefer to use sugar made from M.F.N. raws where almost all the cost of the raws in excess of the LDP-based price is in duty and therefore subject to drawback.

As a commodity of trade, in both international and domestic markets, sugar is subject to an unusual number of influences extraneous to the ordinary pressures of the market place. In almost no country of the world is the production or sale of sugar dependent primarily on usual economic circumstances and few products, if any, are more regulated or more subject to political considerations. Many governments have developed domestic sugar industries by means of subsidies, tariffs, quota systems and other devices; others have entered into special arrangements with former colonies; some are parties to a variety of bilateral or multilateral agreements the purpose of which is to modify the effects of free market forces.

The most important special agreements or arrangements are the International Sugar Agreement, the Commonwealth Sugar Agreement, the Canada-West Indies Trade Agreement, the General Agreement on Tariffs and Trade, and the U.S. Sugar Act. In addition, there are special arrangements between Cuba and Socialist countries.

The current International Sugar Agreement, "ISA", to which Canada is a party, has as its other signatories most of the important countries which export or import sugar; notable exceptions are the U.S.A. and the European Common Market. By the Agreement, Canada is bound not to provide incentives to sugar production beyond a level representing 20 per cent of domestic consumption; currently Canada's sugar production -- beet sugar -- accounts for only 12 to 14 per cent of domestic consumption; thus, at present levels of consumption, our beet sugar production could be increased by 43 to 67 per cent within this limitation. By a complicated series of restraints on importers and exporters, the Agreement is designed to raise the level of international trade, maintain stable prices, remunerate producers reasonably, provide adequate supplies and ensure adequate participation for developing countries in the markets of developed countries. The Agreement regulates the volume of permitted exports and purchases from non-members when the prevailing price is within the range of 3.25 to 5.25 U.S. cents per pound. When the prevailing price is at or below 3.25 U.S. cents per pound, the quotas of exporting members may be reduced by 15 per cent and importing members are prohibited from purchasing sugar from non-members. When the prevailing price exceeds 6.5 U.S. cents per pound, suppliers are committed to supply certain quantities of sugar to their traditional customers at 6.5 cents. All countries from which Canada ordinarily imports raw sugar are members of the Agreement.

The International Sugar Agreement may be expected to have much more influence on the price at which Canada buys raw sugar than on the availability of our sugar supplies from our present sources. Because of the substantial margin between the British Preferential Tariff and the Most-Favoured-Nation Tariff, Canada's raw sugar purchases are limited, in practice, mainly to B.P. countries almost all of which are exporting members of the ISA.

The Commonwealth Sugar Agreement, "CSA", is one between Britain and a number of sugar industry associations in Commonwealth countries which export sugar to Britain. Though not a party to the CSA, Canada is affected by it. Under the Agreement each exporting member is assigned an Overall Agreement Quota, "OAQ", within the Commonwealth, as well as a Negotiated Price Quota, "NPQ"; the NPQ is a quota on exports to Britain to which certain negotiated prices apply "in order to provide reasonably remunerative prices to efficient producers"; these prices have ordinarily been substantially higher than world prices on the free market. Though Canada is not a party to the CSA, article 3 of the Agreement provides that, "subject to market considerations", the parties to the Agreement will give priority to sales of Commonwealth sugar to Canada and make sugar available to Canadian refiners; the quoted reservation is so limited that it gives little assurance to Canadian refiners when world supplies are short. It does seem that Canada's assurance of supplies of B.P. sugar arises more from market considerations than from the CSA to which Canada is not a signatory.

The Sugar Act of the U.S.A. is, of course, domestic legislation of a foreign country; however, since the estrangement between the U.S.A. and Cuba, the Act has had a significant impact on the sources of our raw sugar. Cuba had been a major supplier of raw sugar to the U.S. market and ceased to be such; Commonwealth sugar exporters which had had virtually no share in this market became important suppliers after 1960; to this extent Commonwealth supplies available to Canada were reduced. The Act establishes quotas for raw sugar imports, allocating the domestic market between foreign and domestic suppliers; those quotas are purchased at prices which are usually substantially above those prevailing in the free market.

Failing exceptionally high world prices for sugar, both Great Britain and the U.S.A. pay higher prices for their quota sugar imports than the prices prevailing in the world's free market. In consequence they are more attractive to the sugar exporters which are allotted quotas than is the free market. As a result, during the period 1960-69, Commonwealth Caribbean suppliers filled their quotas under the CSA and U.S. Sugar Act but, because of inadequate supplies, allowed their exports to Canada to drop by more than one-third.

The Canada-West Indies Trade Agreement provides for a preferential margin of \$1.00 per 100 pounds for sugar of 96° polarization; the B.P. rate is \$0.29 as opposed to \$1.29, M.F.N., or about 23 per cent of the M.F.N. rate; this margin is, of course, applicable to all B.P. countries. As the result of discussions between Canada and the West Indies, outlined in greater detail in the Report, in 1967, Canada began paying to the West Indian Governments sums of money substantially equivalent to the duties collected on sugar received from their territories. Because Caribbean supplies to Canada are diminishing, so are

these payments. At the time of the hearings and shortly thereafter, some views of considerable inaccuracy appeared to be held concerning the nature and purpose of these arrangements. The diminution of Caribbean supplies of sugar for export to Canada appears to be due to higher priced alternative markets and increased domestic consumption unaccompanied by increases in production. The Board is aware of a number of difficulties and problems in the West Indies and it is sympathetic and well-disposed to these countries. However, in a reference of this nature it deems recommendations on the question of forms of aid or assistance to them to be beyond its terms of reference, although the Board may make recommendations on the preferential rates of duty or on the existence or extent of the British preferential margin.

Canada also has trade agreements with Australia and with South Africa which extend to them the rates of the British Preferential Tariff; the agreement with Australia also binds the British Preferential rate and margin on certain sugars exceeding 98° but not exceeding 99° of polarization.

It should perhaps be noted here that the Republic of South Africa enjoys the benefits of the British Preferential Tariff on sugar and molasses; it is the only country outside the Commonwealth to enjoy these benefits and the only country enjoying such benefits without the benefits of the CSA. Because South Africa has only a small quota for export to the U.S.A., because Canada's imports from the West Indies are diminishing and because Canada is the principal premium-priced market for South Africa, the sugar trade between the two countries is of increasing importance to both.

Under the General Agreement on Tariffs and Trade, Canada has reserved the right to revise the wording of tariff items 13400-1 and 13500-1 but undertook that the overall incidence of duties would not be higher than that in effect on 1st July, 1939.

Tariff Considerations on Sugar

In volume and value of imports, tariff item 13500-1 is, of course, the most important one in the Reference. For imports of raw sugar the most important range of polarizations is that of 96° and higher. This item is considered jointly with tariff item 13400-1.

Both tariff items 13400-1 and 13500-1 contain a colour criterion related to the Dutch standard -- a former colour standard which has long been obsolete. It is not surprising that there was agreement to eliminate this mere ghost of the past from the Tariff. However, like all demises, that of the Dutch standard brought conflict as to its successor. The principal concern of the refiners was to ensure that sugars of lighter colour should continue to be dutiable at high rates when not imported by the refiners themselves because they were apprehensive that such sugars would compete with the refiners' products in industrial use.

Tariff Item 13500-1

Several refiners originally proposed different maximum percentages of sulphated ash to replace the Dutch standard; however, later, there was general agreement among them rather to divide sugar imports for tariff purposes into sugar of 13500-1 "when imported or purchased in bond in Canada by a recognized sugar refiner for refining purposes only, under such regulations as the Minister may prescribe" and sugar of 13400-1 "of whatever kinds, grades or standards, n.o.p."

The mere change in words would have the effect of establishing considerably higher rates for sugars not exceeding No. 16 Dutch standard, now in tariff item 13500-1, by making them dutiable under 13400-1 unless imported by refiners. Though no one objected to removing the Dutch standard from the tariff, there was lively debate concerning the consequential changes in rates. The sale of the darker sugars in Canada for such purposes as meat packing, canning, and animal feeds can hardly be thought to reach two million pounds or 0.1 per cent of Canada's sugar consumption. Beyond this consideration, it is to be noted that, with the exception of sales to the wineries, the Canadian refiners are the domestic vendors of these darker, unrefined sugar.

For raw sugars to be used by refiners, most of the eastern refiners proposed, under the B.P. Tariff, free entry up to 99° of polarization and \$1.09 per 100 pounds over 99° of polarization; for the M.F.N. rates on the same sugars, their proposals for sugar at 96° varied from 60 cents to \$1.00 per 100 pounds and for sugar at 99°, from 63 cents to \$1.15966 per 100 pounds, considerably less than the existing rates and also at a level which, in most proposals, would reduce the existing preferential margin. For the M.F.N. rates on such raw sugar exceeding 99° of polarization, they generally sought sharp increases to \$1.89, but not nearly so sharp as on equivalent B.P. sugar, thus again decreasing the preferential margins. To this general rule St. Lawrence was an exception, proposing rates per 100 pounds in the neighbourhood of five cents for B.P. sugars and in the neighbourhood of 80 cents for M.F.N. sugars. In its proposals for the M.F.N. sugars, C. & D. sought higher M.F.N. rates than the others in order to preserve the existing preferential margin.

B.C. Sugar and its subsidiary producers of beet sugar, the Raffinerie de Sucre de Québec and the beet growers groups all sought continuation of the existing rates, both B.P. and M.F.N., under tariff items 13400-1 and 13500-1.

The Canadian Industrial Sugar Users' proposal had the virtue of simplicity: free entry for sugars and syrups under all Tariffs. The Consumers' Association of Canada sought free entry for raw sugar under the B.P. Tariff and reductions under the M.F.N. Tariff which would not alter the existing effective margin of preference enjoyed by the B.P. suppliers.

The suppliers of B.P. sugar predictably sought no change in the margin of preference unless it were by way of increase. The Caribbean suppliers naturally sought no changes that would affect the aid currently provided under the misleading label of "rebate".

Our main M.F.N. supplier, Cuba, equally predictably, sought easier access to our markets by the elimination or reduction of existing preferential margins.

Mr. R.W.M. Austin made certain proposals for a "National Sugar Policy", eliminating most of the existing duties, introducing import quotas, further encouraging beet sugar production to the maximum agreed under the International Sugar Agreement and urging the establishment of small cane-and-beet plants spread across the country. It is far from clear to the Board that the Minister's letter of reference encompasses recommendations on all of Mr. Austin's proposals. However, the Board has examined them carefully and in those areas in which it deemed its recommendations to be sought, it has made its recommendations in the light of Mr. Austin's proposals, of all the other proposals and of the evidence before it.

Tariff Item 13400-1

The rate proposals of the refiners for revised item 13400-1, broadly to cover sugar not going to the refiners, generally involved little change in rates except for the proposal of St. Lawrence which urged rates of \$1.09, B.P. and \$1.62, M.F.N. per 100 pounds, regardless of polarization.

The Industrial Users sought free entry and the Consumers' Association urged serious consideration of reductions to prevent any increase in or preferably to decrease the effective protection accorded to the refiners.

The effects of these proposals are varied.

Under the existing B.P. rates of items 13400-1 and 13500-1, industrial users can save as much as 77.36 cents per 100 pounds by using sugar not exceeding No. 16 Dutch standard; under the proposals of most refiners, they would have to pay some 75 cents more for such sugars.

The proposals of Atlantic, C. & D. and Cartier would place a clearly prohibitive B.P. rate on sugars exceeding 99° of polarization; they could also involve very high penalties, under the purchase contracts, on suppliers exporting sugars of such polarization. Up to the present, the industrial use of such sugars has not exceeded two million pounds annually, perhaps because even under the existing lower rates, the refiners themselves are the vendors of such sugars.

The refiners' proposals for high protection on sugar imported by others than themselves reveal a considerable apprehension lest their present security be troubled; the pattern of change resulting from these proposals is similar, with the same marked increases in net protection for the refiners.

The proposals of the Industrial Sugar Users would, of course, have the opposite effect, reducing the net protection under the B.P. Tariff by some 77 cents and that under the B.P. Tariff for raws combined with the M.F.N. Tariff for refined, by \$1.57, per 100 pounds.

Some suppliers of raw sugars were legitimately concerned about the sharp increase in rates for sugar for refining in excess of 99° of polarization. Long periods in transit may cause sugar to increase in polarization. Indeed, on a cargo of 15,000 tons from Mauritius, Australia or South Africa, the additional duty to the payment of which the supplier now binds himself contractually would amount to \$327,000 should the sugar exceed 99° of polarization. The representative of Mauritius expressed the view that, when such high polarization sugar was imported for refining, it should not be subject to such high duties. The sharp increase appears to involve the Customs Tariff in creating a penalty which, if desired, might better be enforced solely by penalty clauses in the contracts.

The refiners are apprehensive that the Canadian market may not continue to attract B.P. suppliers, particularly Caribbean suppliers; they also fear that if the bargaining position of B.P. suppliers improves, this may cause them to seek a larger part of the preferential margin to the detriment of the refiners. To the refiners, such a situation suggests commensurate increases in sugar prices, with concomitant ill effects on industrial users in domestic and export markets; in the existing tariff circumstances this could well be so.

In urging a reduction from \$1.00 to 74 cents per 100 pounds in the preferential margin on raw sugar of 96° polarization. St. Lawrence envisaged that the effect of the International Sugar Agreement would be to increase the price of raws and to reduce the B.P. supplies available to Canadian refiners; it consequently sought a broadening of possible sources of supply. In urging a very similar reduction -- to 75 cents -- Cartier urged that this figure represented the customary and necessary attraction for B.P. sugar; this view makes the assumption that the total preference would be paid to B.P. suppliers whereas only 75 per cent has been so paid recently; indeed, with payment of the total preferential margin, B.P. sugar attains the price of M.F.N. sugar and loses some of its attractiveness to Canadian purchasers.

Some of the arguments advanced by the refiners concerning the advantages of obtaining raw sugar at lower cost, would be more reassuring did their proposals not involve sharp increases in the rates for B.P. sugar exceeding 99° of polarization and, generally, maintenance of the existing high rates on refined sugar of tariff item 13400-1.

Atlantic, in proposing a reduction in the preferential margin from \$1.00 to 60 cents per 100 pounds at 96°, urged the consequential reduction in the costs of raw sugar and in the prices of refined sugar as a supporting reason. In a matter as complex as the sugar trade, domestic and external, it is not clear that all or any given part of such a reduction would accrue to the consumer.

The refiners made no concealment of the increase in net protection that would result from their proposals; they urged that this increase was necessary and that they enjoyed less protection than their peers in many other developed countries. To support their plea they urged the high quality, reasonable prices and suitable packagings of their products; their vulnerability to foreign competition; their apprehension about the difficulty of establishing injury under Canadian anti-dumping legislation.

The beet interests, both growers and sugar producers, sought continuation of the status quo. They stressed the farm income and the employment generated. They urged that the returns to growers and producers are directly related to the prices of cane sugar and that a reduction in rates could eliminate the beet sugar industry.

With the exception of Australia and the Republic of South Africa, the B.P. suppliers of raw sugar seeking maintenance of the margin of preference are regarded by the United Nations as developing countries. They stressed the rôle of the existing preference in making our market attractive to them and thereby assuring Canada's supplies of raw sugar; they cautioned that even were domestic prices to become lower as a consequence of reduction in the preference, the cost arising from insecurity of supply would be high; they urged the importance to them of the Canadian market for sugar; many drew attention to their unfavourable trade balances with Canada.

Cuba, naturally, stressed the opposite view.

The Industrial Sugar Users argued that lower prices would result from the removal of duties; such lower prices would make the end products of the users more competitive in export markets as well as with imports in domestic markets. They pointed out that foreign exporters benefit by drawback on exports but, of course, so do they; in their view the refiners have ample protection from sources other than the Customs Tariff. They regarded the preferential margin essentially as foreign aid and their plea was for its removal because, in their view, it spread the burden of foreign aid too narrowly on sugar users only and benefited developed countries as well as developing countries.

The Consumers' Association of Canada sought to establish a maximum of competition and a downward revision of tariffs on sugar to benefit Canadian consumers. As to the beet sugar industry, the Association deemed any necessary support to be preferable by way of deficiency payments so as to spread the burden more equitably on all taxpayers. It urged that any decrease in duty on raws be accompanied by a decrease in duty on refined sufficient to prevent any increase in, or preferably to decrease the rate of effective protection.

These representations raise certain principal issues.

The varied provisions of the International Sugar Agreement are designed to ensure greater stability of price and somewhat higher prices than have prevailed in recent years. Thus free market supplies may be somewhat more costly; however, this is not likely to affect the competitive position of Canadian refiners as much as might appear, because the Agreement has an equal bearing on the prices of raw sugar for potential competitors that purchase raws in the free market. Only in the unlikely event of such shortfall in B.P. supplies that substantial M.F.N. purchases became necessary would the situation present real difficulty and such a shortfall appears unlikely in most years.

The anxiety of the beet sugar interests with respect to reduction in rates on raw sugar may be greater than is justified. Beet sugar prices are directly related to cane sugar prices which in turn are more closely related to the laid-down cost of imported refined including customs duty than to the cost of producing refined cane sugar in Canada. On B.P. raws just over 98⁰, the existing duty adds about 33 cents to the cost of 100 pounds of refined; the duty on M.F.N. refined is \$1.89 per 100 pounds, or nearly six times the 33 cents. Thus, the existing B.P. duty on raws gives much less direct protection to the beet interests than that afforded by the duties on refined sugar and by freight costs, both ocean and domestic.

On the other hand the refiners' plea for reduction in rates on raws as productive of lower domestic prices would be more cogent were there a clearer relationship between costs and prices and were there full assurance that any savings would be passed on to the consumer.

The preferential margin appeared to be in controversy only for raw sugar; at 96⁰ of polarization it is now \$1.00. Up to the second World War it appears to have accrued to suppliers in its entirety; thereafter the supplier's share has dwindled to some 75 cents at present. As long as the premium is less than the total margin, the B.P. raws are cheaper than the M.F.N. raws; the premium also makes the Canadian market more attractive for B.P. suppliers than other markets with the exception of the special arrangements with Britain and the U.S.A. There are, of course, other influencing factors in trading patterns such as traditional relationship and mutual confidence. Even in pre-war days when the premium was equal to the full preferential margin, this situation did not appear to affect the origin of imports of raws.

The refiners' proposals generally met in part one complaint of Cuba: the sharp increase in rates on M.F.N. raws exceeding 98⁰.

Tariff Item 13405-1 and Drawback Item 97050-1

Under the B.P. and M.F.N. Tariffs, tariff item 13405-1 makes sugar for use in the manufacture of wine subject to only one per cent of the rates for refined sugar exceeding 99⁰ of polarization; under drawback item 97050-1, the raw sugar, imported other than under the General Tariff, used in producing domestic refined sugar for use in the manufacture of wine, is subject to a drawback of 99 per cent. The wineries import raw sugar directly but purchase refined sugar from Canadian refineries; the wineries use in excess of 20 million pounds of raw and nine million pounds of refined annually. Apart from a proposal from the Canadian Wine Institute to continue this situation, no proposals were made concerning these two items.

The Canadian Beekeepers' Council sought "removal or drawback of tariff" on sugar used for bee feed. The Council's brief stated that some six million pounds of sugar is fed to bees annually to support bee colonies in winter and to stimulate their development.

The refiners expressed concern regarding potential imports of refined and semi-refined sugars and urged that their protection on refined sugar was less than that existing in other countries. However, there was little evidence to indicate the probable origin of foreign refined competition in Canada or of factors such as transportation costs, prices, storage costs, distribution costs or probable importers, related to the importation of refined sugar.

Imports of refined sugars have been less than 0.5 per cent of consumption in most years. Most such imports have originated in Britain or the U.S.A.

At the hearing, the Vice-Chairman of Tate & Lyle said that his company's productive capacity in Britain had been reduced recently and expressed the view that, considering transport costs and duties, his company would not often be competitive in Canada. He testified that his company produced 73 per cent of Britain's total production of refined cane sugar. His company holds a controlling interest in C. & D.; should it export refined sugar to Canada, such exports would most likely be directed to those markets in the Atlantic Provinces less accessible to C. & D. than to Atlantic Sugar or to purchasers elsewhere who were not customers of the C. & D. refineries.

Most B.P. suppliers of raw sugar stated competition with Canadian refined sugar to be against their policies.

Because the U.S.A. and the E.E.C. countries are not signatories to the International Sugar Agreement, the most likely sources of substantial quantities of M.F.N. refined sugar imports appear to be Cuba and the Socialist countries of Europe. The Cuban representative expressed interest in Canada as a market for raw sugar but said that Cuba had more profitable markets for all the refined sugar it could export; the Socialist countries of Europe appear to be unlikely sources of competition in refined sugar, unless prices should rise to great heights, because of transportation and packaging costs and because of the services Canadian customers would require.

There is in the report a discussion of "effective protection"; the effective rate of protection is the net amount of duty per unit, calculated as a percentage of the value added per unit, exclusive of the duty, in manufacturing the product. Aware of the many misconceptions and conflicts surrounding the concept of effective protection, the Board has consigned in Table 53 the effective protection afforded to the Canadian refiner under the existing tariff structure on the basis of six different assumptions. The assumption which appears to be the most realistic one, shows an effective protection rate of 59.9 per cent.

More clear, perhaps, is the concept of the net protection available to the Canadian refiner under the present tariff structure. On the basis of the first and third assumptions used in calculating effective protection in Table 53, the net protection would give the following results.

On the assumption of raw sugar originating from B.P. countries, excluding the 75 cent premium in price, the net protection arising from the M.F.N. rate on refined sugar is \$1.5638 per 100 pounds; this figure is obtained by subtracting from the M.F.N. rate of \$1.89 per 100 pounds the sum of 32.62 cents, being the amount of duty payable on an equivalent amount of raw sugar at 98.5° of polarization under the B.P. Tariff.

On the same assumption, but including the 75 cent premium in the price, the net protection of the Canadian refiner would be 79.06 cents per 100 pounds; the difference of 77.32 cents represents the premium paid on the amount of raw sugar needed to produce 100 pounds of refined.

If the net protection is considered in relation to refined sugar originating from a B.P. country, the \$1.5638 would become 76.38 cents and the 79.06 cents would become very slightly negative.

Canadian prices of refined sugar appear low when compared with such prices in Britain or the U.S.A., but they are high in relation to the prices paid by Canadian refiners for raw sugar. Table 55 shows that, over the last ten years, raw sugar expressed as a percentage of the discounted wholesale price of refined sugar, has been consistently a smaller proportion in Canada than in the U.S.A. or Britain. Indeed, the Canadian refiner's margin is almost always higher than that of the refiner in either the U.S.A. or Britain.

In 1960, the Restrictive Trade Practices Commission, apprehensive of the results of the concentration then -- and still -- existing in the Canadian sugar industry, hoped for "competition from external sources" to remedy any lack of responsiveness to underlying market conditions. (Report Concerning the Sugar Industry in Eastern Canada, p. 314).

In the four years 1967 to 1970, in the cane sugar refining industry, production varied from a low of 58 per cent to a high of 63 per cent of capacity; for individual refineries the percentages were as low as 37 and as high as 86.

Table 56 shows that, as far back as 1955, production was 65 per cent of capacity, and that operation at 85 per cent of capacity at that time would have meant sufficient production to supply the total domestic and export demand ten years later. Since 1955, excess capacity has been maintained in spite of the growth of the market. At the hearing, one company, then said to be operating at about 70 per cent of capacity, foresaw a savings of 25 cents per 100 pounds of refined sugar were the refinery operated at capacity; for plants operating at less than 50 or 60 per cent of capacity, it seems that the savings could be even larger. In spite of such large prospective savings, the existing protection and market rigidities have made it possible to maintain large excess capacity over the years. Apparently the structure of the industry is of such a nature as to make corporate strategies related to the preservation of existing market shares more attractive than the realization of lower costs.

Though the refiners did not appear to consider sugars not exceeding No. 16 Dutch standard to be a serious threat to them, they nevertheless proposed prohibitive rates for such sugars imported by others than refiners. At present these darker sugars are dutiable in the vicinity of 30 cents per 100 pounds; under the proposals they would be entered either free or in the vicinity of five cents per 100 pounds for refiners but at rates in the vicinity of \$1.00 per 100 pounds for all others. Even under existing conditions no such dark sugars are imported directly by non-refiners; the very small quantities involved and their availability through refiners may explain this situation.

Beyond these darker sugars, a different problem arose concerning semi-refined sugars known by such names as mill whites, plantation whites and turbinados. Under the recommended ICUMSA standards, these sugars run from 99.5° to as high as 99.7° or more in polarization. At present such sugars are entered under tariff item 13400-1 at the rates applicable to fully refined sugar unless imported by refiners for refining purposes. In its 1960 report the Restrictive Trade Practices Commission concluded that Eastern Canadian refiners received further protection from the reluctance of raw sugar suppliers to make available to manufacturers these semi-processed sugars and viewed this restriction as being encouraged by the refiners through their relationship with sugar brokers. The Board does not believe this situation to have changed appreciably since then.

The regulations under the Food and Drugs Act may have an important bearing on Canada's sugar trade. In Canada "sugar" must be at least 99.8 per cent sucrose and Canadian refined sugar is usually higher still. Under the new recommended standards of the Codex Alimentarius, white sugar would contain a minimum of 99.7 per cent sucrose and plantation whites, a minimum of 99.5 per cent sucrose. Under the existing Canadian regulations only "sugar" may be used in making certain food products thus preventing the use of certain sugars of lesser purity deemed safe and suitable by some interests. The Industrial Users were concerned that the Customs Tariff not be used to make such sugars too costly in comparison with "sugar" as defined in the regulations.

On the score of aid to developing countries there appeared, at times, to be a disposition to consider the British preferential margin as an aid measure; it is quite true that the preferential margin is advantageous to many developing countries; however the Preferential Tariff, existing well beyond the mere sugar trade, is one which includes imports from Britain, from Australia and from the Republic of South Africa. The Board, without losing sight of some of the special problems of the developing countries, looks upon the preferential margin as part of a complicated web of reciprocal trade arrangements and not as a mere method of aid paid only by the consumers of sugar.

Molasses

Two groups of products come under this title. Edible molasses includes principally the products known by such names as fancy molasses and Barbados molasses; it is used for direct human consumption and in making certain food products. Inedible molasses includes blackstrap molasses or refiners' molasses, a by-product of the production of raw cane sugar and of refined cane sugar, and beet molasses, a by-product of beet sugar production; the principal uses of inedible molasses are in animal feeds and the production of alcohol and yeast.

In recent years, two-thirds or more of the inedible cane molasses has been imported under the B.P. Tariff; all of the relatively small imports of beet molasses and dried molasses powder have been from the U.S.A. and, consequently, under the M.F.N. Tariff. Supplies of edible molasses have been imported from Barbados (50 to 75 per cent of the total) and from the Dominican Republic.

Inedible Molasses

The imported inedible molasses contains about 50 to 55 per cent of reducing sugars after inversion and 20 to 25 per cent of water; by far the most important tariff item relating to molasses is 13600-1 with rates of Free, B.P. and one cent per gallon, M.F.N. Our annual consumption is in excess of 30 million gallons; of this, about 10 million gallons is Canadian refiners' or beet molasses. The principal use of inedible molasses is in making animal feed, 45 per cent or more of the total, without including the beet molasses added to beet pulp to make dried molasses beet pulp; the next most important use is in making alcohol; the only other major use is in the production of yeast, for which purpose beet molasses is preferred.

Beet molasses is sold by the Canadian beet sugar factories either as beet molasses or as dried molasses beet pulp. The cane molasses is distributed in Canada by five companies: Pacific Molasses in Vancouver and Canada West Indies Molasses in Montreal, both subsidiaries of Tate & Lyle; Imperial Molasses in Montreal and Dominion Molasses in Dartmouth, N.S., both subsidiaries of SuCrest Corporation; and Crosby Molasses in Saint John, N.B. Both Dominion and Crosby also distribute edible molasses whereas the other three deal only in inedible molasses.

There is no regional competition between cane molasses and domestically produced beet molasses because of freight costs and there is little direct competition of any kind between cane and beet molasses because of specialized uses. Virtually all the refiners' molasses is sold by the refiners to the importers of inedible cane molasses for resale to the users. The Raffinerie de Sucre near Montreal sells 90 to 95 per cent of its beet molasses for use in the manufacture of yeast. In consequence, west of Ontario, Pacific is the only distributor of cane molasses and the subsidiaries of B.C. Sugar are the only distributors of beet molasses; east of Manitoba, companies associated with Tate & Lyle or SuCrest are virtually the only suppliers according to the brief of Imperial, though Crosby constitutes a third supplier in the Atlantic provinces.

In recent years imports of inedible molasses have varied between 21 and 27 million gallons valued between \$2.2 and \$5 million annually; the Commonwealth Caribbean area supplies about half the total and all B.P. suppliers together, about two-thirds of the total; of the M.F.N. suppliers, Mexico, Puerto Rico and the U.S.A. are the most important. In 1970, a year of poor sugar crops in the Commonwealth Caribbean, there was a marked change in source of supply; M.F.N. sources supplied about 70 per cent of the imports and B.P. sources about 30 per cent; of the M.F.N. imports, Cuba supplied close to 60 per cent. Until 1970, the imports into British Columbia were from Hawaii. Imports into the Prairie Provinces are small and are thought to be of beet molasses from nearby areas in the U.S.A. There have been no imports from Jamaica since 1957; this is attributed to the difficulty of ensuring that the contained sugars do not exceed the criterion for free B.P. entry under tariff item 13600-1, a higher content placing the imports under tariff item 13505-1 under which, in 1969, the rate of duty would have been about nine cents a gallon.

In making some soft sugars, Canadian cane refiners reduce their final output of refiners' molasses: thus, excepting beet molasses produced on the Prairies, imports supply some 90 per cent of the inedible molasses which enters the market place.

In this Report there is reference to the report of the Director for Investigation and Research, Combines Investigation Act, 1958, which noted that there existed a virtual monopoly of control over purchases of blackstrap in the West Indies; this arose through control of dockside storage facilities, of transport to the docks and of suitable ships for transportation; the evidence before the Board suggests little change on this score. Indeed this aspect was stressed by Mr. Austin in his evidence which remained unchallenged in this respect. As noted, West Indies molasses usually accounts for about 50 per cent of total Canadian imports and an even larger percentage of the imports into Quebec and Ontario.

A Tate & Lyle subsidiary appears to exercise considerable control over the marketing of West Indies molasses, other than that originating in Barbados; the Barbados molasses crop is usually sold to a large corporation with appropriate shipping facilities; in the result Canada West Indies Co. appears to be able to obtain B.P. supplies whereas Imperial Molasses is generally not able to do so and must rely on M.F.N. supplies. In such a situation the preferential margin appears not to be of very special benefit to the B.P. suppliers and to establish a market situation which is not competitively beneficial to Canadian consumers.

The proposals of the two Tate & Lyle subsidiaries sought to qualify the molasses of tariff item 13600-1, the item under which most imports are now entered, by the words "for industrial purposes only and not for human consumption" and to raise the percentage of the maximum permitted reducing sugars from 71 to 75 per cent of the total solids by weight to facilitate the importation of Jamaican molasses; they, of course, did not propose any change in the rates. Imperial Molasses, the SuCrest subsidiary, sought an item providing for cane molasses, known as blackstrap, for use in the manufacture of animal

feed, at rates of Free under both Tariffs; these rates compare with existing equivalents for cane molasses where the reducing sugars are less than 71 per cent of total solids of B.P., Free, and M.F.N., one cent, and, where the percentage exceeds 71, of about B.P., nine cents, and M.F.N., 17.22 cents, or more, per gallon.

There exists still another molasses with high sugar content for use by distillers and pharmaceutical manufacturers; Imperial Molasses did not seek to include this molasses in its proposal; nor did Imperial Molasses seek to prejudice the position of the Canadian refiners' final molasses, the percentage of contained sugars in which is slightly below the 71 per cent of tariff item 13600-1. Thus the proposals conflict more with respect to rates than to nomenclature.

Though the West Indies Sugar Association pleaded for retention of the preferential margin on molasses because of the monetary gain to its members, the plea loses cogency because, when bids are made for a particular molasses crop, the vendor presumably has no knowledge of its destination and therefore is unlikely to be in a position to be able to bargain for any part of the Canadian preference.

An increase in the maximum permitted percentage of contained sugar would increase the potential supply under the B.P. Tariff by qualifying Jamaican molasses; however this additional supply might well be available only to the Tate & Lyle subsidiary, leaving the competitive position of Imperial Molasses even less strong.

To replace the existing word "syrup" by an equivalent of "molasses" in tariff item 13600-1, as suggested by C. & D., might exclude from the item a mixture of blackstrap molasses and syrups of whole cane juice.

The Industrial Users sought free entry for molasses.

Tariff item 13650-1 provides for beet molasses when the percentage of contained sugars is less than 71 per cent of total solids, at rates of one cent per gallon under both Tariffs and tariff item 13705-1 provides for molasses powder at rates per 100 pounds of 35 cents, B.P. and 45 cents, M.F.N.

The sugar interests proposed no changes in rates. The Quebec beet sugar factory sells virtually all its molasses for the production of yeast; the western factories are unable to supply the demand for animal feed in the Prairie Provinces. Our imports of beet molasses are all from the U.S.A. at rates which, as a result of the Kennedy Round, have come down from $6\frac{1}{2}$ cents to one cent per gallon; the one cent is equivalent to an ad valorem rate of roughly five per cent on prices varying from 17.3 to 22.1 cents per gallon, the annual average prices prevailing between 1966 and 1969.

If the contained sugars of beet molasses exceed the 71 per cent criterion of tariff item 13650-1, the molasses would be classified in 13505-1 if in larger containers or 14000-1 if in smaller containers; on the prices mentioned the rates would represent ad valorem equivalents of roughly 50 and 85 per cent under tariff item 13505-1 and roughly 25 and 30 per cent under tariff item 14000-1.

Edible Molasses

Our supplies of edible molasses are imported largely from Barbados and the Dominican Republic. The distributors that import in bulk are Crosby of Saint John, N.B., and the two SuCrest subsidiaries (Grandma Molasses of Montreal and Dominion Molasses of Dartmouth, N.S.). Imports have been declining for a decade or more; in 1970, they were 2.3 million gallons with an estimated value of \$1.3 million; the unit value of edible molasses is usually three to five times that of inedible molasses. Larger quantities of imports are entered in New Brunswick than elsewhere, which suggests that Crosby is probably a major distributor of edible molasses in Canada.

At present, edible cane molasses is entered under tariff item 13700-1 at the same rates of duty as blackstrap per gallon: Free, B.P. and one cent, M.F.N.

There were really no proposals from the major importers; indeed edible molasses provided but little controversy.

Invert Sugar, Liquid Sugar, Sugar Syrups

In commercial practice, sales of invert sugar in Canada are almost invariably in solutions containing a mixture of invert sugar (glucose and fructose) and of sucrose.

Were the invert sugar in solid form, it would be classified in tariff item 13505-1, at the highest rates; in the form of syrups, the invert sugar, together with liquid sugar and sugar syrups, would be classified in tariff item 13505-1 or 14000-1 according to the packaging.

Both invert sugar and liquid sugars are produced in large quantities in Canada.

Most of the proposals sought no change, though some suggested the deletion from tariff items 13505-1 and 14000-1 of the words "all imitations thereof and substitutes therefor"; no such products appeared to be known to the Canadian sugar refiners, although sucrose syrups may have other sources than beet or cane. The common non-nutritive sweeteners are the subject of provision in the chemical schedule of the Customs Tariff.

Shredded Sugar Cane

The shredded sugar cane of tariff item 14005-1 remains shrouded in mystery: no one appeared to be aware even of what it was. There was a suggestion that this provision might be intended to cover bagasse, but this appears unacceptable in face of the provision in tariff item 54010-1 for "bagasse of sugar cane, whether or not dried, cleaned, cut to size, ground or sifted". Since the introduction of records of imports by tariff item, in 1965, no imports have been recorded under tariff item 14005-1. To the Board, it appears that this provision is not needed.

Sugar Beets

At present beet sugar constitutes some 40 to 45 per cent of the world's sugar supply; in Canada it constitutes some 12 to 14 per cent of our sugar supply and Canada, in the International Sugar Agreement, has undertaken to limit domestic beet sugar to a maximum of 20 per cent of total consumption.

Sugar beets are grown in three provinces: Alberta, Manitoba and Quebec; they had been grown in Ontario but this production, which had been diminishing, ended in 1967 and in 1968 C. & D. closed its beet sugar factory at Chatham.

At present sugar beets are processed in Alberta and Manitoba by B.C. Sugar's two subsidiaries, Canadian Sugar Factories and Manitoba Sugar. In Quebec they are processed by the Raffinerie de Sucre de Québec, at St-Hilaire near Montreal; the Raffinerie is an agency of the Quebec provincial government. All produce granulated refined white sugar, beet molasses and dried beet pulp; none produces soft sugars.

In relation to the total number of farms, the total farm acreage, the farm value of the principal field crops or total farm cash receipts, sugar beet production is not an important farm enterprise in any of the three provinces. Nevertheless, for the approximately 2,500 farms growing sugar beets, the gross farm income from such beets is larger than that from any other field crop; indeed the gross and net return per acre is large compared to those from most other crops. Deficiency payments by the federal government under its price stabilization program are an important factor to farm operators when considering crop alternatives.

A study of the Alberta Department of Agriculture shows that, in that province, during the three year period 1966-68, the annual average net returns per farm to management and profit in the production of sugar beets were \$4,638 including the deficiency payment and \$1,372 excluding it, the deficiency payment being on the average \$3,266 per farm. The returns are lower in Manitoba, one reason being the greater distance of the farms from the sugar factory.

In the Prairie Provinces, the contracts between farmer and factory specify the acreage to be seeded and the terms of payment; they further specify that the grower will receive in the vicinity of 60 per cent of the net return to the factory from the sale of sugar and other products made from the beets. In Quebec, in recent years, the growers have received a minimum price of \$13.00 per ton of beets; in addition, of course, they also receive the deficiency payments.

In the West, one company controls the production and distribution of sugar and thus the capacity and production are planned according to the estimated demand.

The "deficiency payments" constitute assistance received by the beet growers from the Government of Canada. These payments are designed to guarantee to the beet growers a minimum national average return per ton of sugar beets. This minimum return is known as the "prescribed price" per "standard" ton of beets, which is a ton

containing 12.5 per cent sugar; the deficiency payment is based on the London Daily Price and is intended to be the difference between the amount paid by the beet sugar factory to the grower and the "prescribed price".

From 1957 to 1969, the deficiency payments have varied from nil to as much as \$6.8 million; in the period 1965-69, they averaged some \$5.0 million. Beyond the deficiency payments, the Raffinerie de Sucre operates at an annual loss in the vicinity of \$1 million which, as the 1970 report of the Task Force on Agriculture points out, is in effect a subsidy from the province to the producers.

Prairie beet acreage and sugar production are adjusted to correspond approximately to Prairie sugar consumption. This sugar is shielded from competition from the eastern refiners through transportation costs; it tends to be priced in relation to the laid-down costs of potential refined cane competition. Accordingly, because the growers share in the factory returns on sugar, any change in duty that reduced the price of cane sugar in Central and Eastern Canada, could involve consequential changes in the operation of the price stabilization program because of its effects on the payments by processors to growers.

Quebec beet sugar competes directly with the production of the neighbouring Montreal cane refineries.

Calculations in the report reveal that removal of the existing tariff on sugar could affect the beet producer to the extent of about \$2.00 per ton of beets in the West; with a minimum price of \$13.00 per ton in Quebec paid by the Raffinerie de Sucre, this reduction of \$2.00 would not apply but there would be an increase in the Raffinerie's annual losses which increase would have been some \$267,000 in 1967 and \$407,000 in 1968. The combined effect of tariff protection and freight in protecting the beet grower in the West is well in excess of \$4.00 per ton and, in Quebec, almost \$2.00 per ton.

CONCLUSIONS

The Board is recommending reductions in the rates of customs duties on raw sugar and on refined sugar. These recommendations are based on many considerations.

There are in Canada only six cane sugar refineries; these are owned by five companies; one of the five companies owns two refineries -- one in Toronto and one in Montreal -- and is controlled by the large British sugar firm of Tate & Lyle. From Toronto to Vancouver there is no cane sugar refinery. Largely because of the tariff and freight costs, the white sugar market of the Prairie Provinces is supplied almost entirely from beet sugar. In Canada, there are four beet sugar factories; one is operated by the Quebec Government near Montreal; the other three -- two in Alberta and one in Manitoba -- are operated by corporate subsidiaries of B.C. Sugar, one of the five cane sugar refining companies, which has in Vancouver the only cane sugar refinery west of Toronto. In consequence, for all practical purposes there is one single supplier of sugar from Winnipeg to the Pacific Coast; this supplier is insulated from domestic competition by freight costs and from external competition by the Customs Tariff and ocean freight costs.

The price of refined cane sugar in Canada appears to be based primarily upon considerations not as closely related as is desirable to such factors as production costs and competitive pricing. It is based on formulae related to the London Daily Price for "free market" sugar adjusted by a variety of factors; this situation has the further characteristic that one company is the price leader and the others assume that the refiner's margin of the price leader is constant in the short run.

The refiner's margin is the difference between the discounted wholesale price of refined cane sugar and the cost of the equivalent amount of raw sugar used in its production; on a ten-year average, the refiner's margin in Canada has exceeded that in the United States by 29 cents and that in Great Britain by 68 cents, per hundred pounds; in the more recent period, 1965-1970, these figures were 43 cents and 80 cents.

Over the last decade, on the average, the Canadian refiner's margin has been some \$2.68 per one hundred pounds and, in 1970, had reached \$3.07. On this score, the Board notes that the British refining industry made an undertaking to the Chancellor of the Exchequer, effective January 1971, that its average refiner's margin for sugar in 112-pound paper bags would not in effect exceed \$1.80 per one hundred pounds. The published reports of Tate & Lyle Ltd., which controls C. & D. with refineries in Montreal and Toronto, reveal certain interesting figures on their refining operations for the years 1967, 1968 and 1969; the turnover in Canada was £15.6, £18.7 and £21.6 million respectively as compared with £11.6, £12.7 and £11.9 million in Britain; on these amounts the profit before tax in Canada was £2.3, £3.7 and £3.2 million compared to £5.7, £3.3 and £2.5 million in Britain; as a per cent of turnover the profit in Canada was 14.7, 19.8 and 14.8 compared with 4.9, 2.6 and 2.1 in Britain.

In the cane sugar refining industry, the Board has noted the relationship between actual production and productive capacity. For the four years 1967-70, production, as a percentage of capacity, has varied from a low of 50 per cent to a high of 63 per cent; for individual refineries the percentage went as low as 37 per cent and as high as 86 per cent. This situation is not novel: as far back as 1955, production was only 65 per cent of total capacity. Nevertheless between 1955 and 1965, two new cane refineries came into operation and existing refineries expanded their capacity. Thus, although one beet factory at Chatham, Ontario, was closed in 1968, total sugar producing capacity increased and remained well in excess of utilization. It does seem that a closer relationship between capacity and production would have resulted in lower costs; it further seems that without the full measure of existing tariff protection available to the industry, such a closer relationship would be more likely to occur; in the existing circumstances, the structure and behaviour of the industry allow the preservation of existing market shares without substantial risk and without the beneficial spur of the competitive factors usually prevailing in ordinary markets.

Variations in individual refiners' margins suggest unusually big differences in costs and profits in an industry with large excess capacity, with no failure for decades and with two new refineries established in recent years. The insulation of the Vancouver refiner from domestic competition by freight costs leaves it open only to the competition of potential imports of refined sugar, an unlikely eventuality with the existing high transport costs and rates of duty; furthermore its corporate control of the beet sugar factories on the Prairies leaves all of Canada west of Ontario virtually without any competitive source of sugar.

The financial returns of the sugar industry rank high among Canada's industries; this does not apply to the beet sugar plant of the Raffinerie de Sucre de Québec because of the special purposes for which it is operated.

The Board has noted that prices for refined sugar are lower in Canada than they are in Britain or the U.S.A. It nevertheless also notes that Britain and the U.S.A. pay higher prices for their raw sugars. Further, Canadian prices for refined sugar are high in relation to the prices paid by refiners for their raw sugars and the refiner's margin is higher in Canada than in Britain or the U.S.A.

In the trade in a basic food commodity, a higher degree of competition seems desirable. Indeed, as far back as 1960 the Restrictive Trade Practices Commission expressed a hope for competition from external sources to create greater responsiveness to market conditions in the Canadian sugar industry.

Except for the wine makers, under the existing tariff structure, none but "recognized refiners" may import lighter-coloured non-refined sugars, except at the prohibitive rates prescribed by tariff item 13400-1; this circumstance affords to the refiners an element of protection well beyond the area of their product -- refined sugar. As to refined sugar, neither imports nor exports have been significant in amount for the last quarter century.

The Board is aware of, and sympathetic to, the problems besetting those British preferential suppliers which are classed as developing countries. In considering what recommendations it should make, it has sought to keep their problems in mind and to weigh them as carefully as possible in arriving at recommendations tempered thereby and by the domestic national interest.

At the hearing there was discussion of certain payments, made by Canada since 1967 to B.P. Caribbean countries, substantially equivalent in amount to the duties collected on raw sugars imported from these countries. Originally these payments were in excess of \$1 million, but they have diminished considerably. From 1950 to 1964, Canada imported some 300,000 tons annually from these countries; owing to the greater attraction of markets in Britain and the U.S.A., to increasing domestic consumption and to other circumstances, these particular imports have been diminishing recently and the Board is credibly informed that prospective imports for the current year, 1971, are very small. These payments, quite erroneously described as "rebates" by a number of persons, appear to have been the subject of a good deal of misunderstanding as to their nature and their importance. Because of their steady diminution, consequent upon the diminution of exports to Canada by these countries, and because, in any event, the Board sought to recommend free entry for raw sugar from B.P. countries, it has not given to these particular payments a great deal of weight in reaching its conclusions.

However, the British preferential margin has fully engaged the Board's attention.

Of our raw sugar supplies, some 90 per cent is of B.P. origin. Because of the decline in B.P. Caribbean supplies, Australia, Mauritius and the Republic of South Africa have been assuming greater importance as suppliers of raw sugar.

Under the existing tariff on raw sugars imported by refiners for refining purposes, there is a margin of preference of \$1.00 per hundred pounds at 96° of polarization; of this \$1.00, there has been what was euphemistically described as a "sharing" of the margin; the phrase was intended to convey the fact that the B.P. supplier of raw sugar currently receives as a premium not the full \$1.00 of the margin but only some 75 cents. This circumstance has arisen from the bargaining forces in the market place and involves both pressures applied by the purchasers and inducements offered by the vendors; whether the preferential margin remains the same, is reduced or is increased, the Board knows of no factor which would modify these bargaining forces to such an extent that the premium would not remain somewhat less than the full margin of preference.

Some of the proposals made to the Board involved a reduction in the preferential margin on raw sugars to a figure equivalent to the existing premium of 75 cents paid in part as a result of the existing margin of \$1.00. In certain quarters, there appeared to be an anticipation that, in such an event, the full 75 cent margin would be paid as premium. For the reasons given, the Board does not share fully in such an anticipation, though it is recommending a reduction in the margin of preference.

For refined sugar, during the last quarter century, neither imports nor exports have been a significant factor. Most suppliers of raw sugar protested that they had no wish nor interest to compete with Canadian purchasers of their raws by selling refined sugar in Canada. Therefore, in the field of refined sugar, the preferential margin loses much of the importance it has in the field of raws. Many of the developing B.P. suppliers do not produce refined sugar of the standard required by Canadian regulation and customarily consumed in Canada. Refined sugar from Britain for sale in Montreal would appear to be competitive only if sold at a price below the home trade price without surcharge. The British firm of Tate & Lyle, which controls C. & D., made the statement, at the public hearing, that with a recent reduction in capacity in Britain, it had little interest in the Canadian market for refined sugar; this assurance is somewhat enhanced by the large profits Tate & Lyle earns through its Canadian subsidiary.

In consequence, the Board is recommending reductions in the rates for raw sugars to lower the costs of Canadian production and the prices to the Canadian consumer. To ensure that such reduction reaches the consumer and to allow greater pressure from the threat of external competition, it is also recommending reductions in the rates on refined sugar; to effect the necessary reductions, to reduce the refiner's margin and net protection to the extent desired, to establish a higher degree of external competition in the domestic market and to avoid anomalies in the recommended structure of rates, it has also recommended a reduction in preferential margins.

In recommending reduced rates on raw sugars, the allowance of free entry for B.P. raws with only equivalent reductions in the other rates, would effect no change in the refiner's margin. Indeed, from the figures cited earlier, were the Canadian refiner's margin to be brought down even to the level of the ten-year average prevailing in the U.S.A., Canadian selling prices would have to be reduced by some 29 cents per hundred pounds even without change in the rates on raw sugar; adjusted only to the levels of the refiners' margins prevailing in the U.S.A. from 1965 to 1970, the reduction in Canadian selling prices would have to be 43 cents per hundred pounds.

Thus, to equalize the refiner's margin in Canada with that prevailing in the U.S.A. only, in the example above, the rates on refined sugar would have to be reduced by some 29 to 43 cents more per hundred pounds than any mere equivalence to the reduction on the raw sugars. In addition, the removal of the B.P. duties on raw sugar would be equivalent to a reduction in the costs of producing refined sugar of some 32 cents per hundred pounds, suggesting in all, a total of 61 cents to 75 cents per hundred pounds. The very high profits of Canadian refiners suggest a reduction well in excess of the minimum of this range.

For raw sugars up to 99.5° of polarization, in Recommended Item I, the Board recommends free entry under the British Preferential Tariff. Under the Most-Favoured-Nation Tariff it recommends a rate of 45 cents per one hundred pounds when the raw sugar does not exceed 76° of polarization with an increment of 1.5 cents for each additional degree of polarization or fraction thereof up to 99.5°; the initial rate with this increment would establish rates of 75, 76.5, 78 and 79.5 and 81 cents per one hundred pounds respectively at polarizations of

96°, 97°, 98°, 99° and 99° to 99.5°. Under the M.F.N. Tariff, the new and lower structure of rates eliminates an irregularity in the existing tariff structure of tariff item 13500-1; from 89° to 98° of polarization the existing increments are about 3.5 cents for each degree, but, for sugar of a polarization exceeding 98° but not exceeding 99°, the increment is some 12 cents with no further increment for sugar exceeding 99°.

For sugars such as plantation whites, mill whites or turbinados, which might broadly be called "semi-refined", ranging in polarization from 99.5° to 99.7°, the Board recommends rates higher than those it is recommending for the raw sugars because these "semi-refined" sugars could be more nearly competitive with the final sugar products of the Canadian sugar industry; for such sugars the Board recommends rates of 35 cents under the British Preferential Tariff and \$1.10 under the Most-Favoured-Nation Tariff per hundred pounds.

On what might broadly be called refined sugars, the Board recommends a rate of \$1.20 per hundred pounds under the Most-Favoured-Nation Tariff; on the same sugars under the British Preferential Tariff, the Board is recommending a rate of 80 cents per hundred pounds.

The existing duty of 31.64 cents on B.P. raws at 98.5° of polarization, the average polarization of current imports, is equivalent to about 32.6 cents on the quantity of raws required to produce one hundred pounds of refined sugar. Thus, with free entry for B.P. raws, a reduction of the existing M.F.N. rate of \$1.89 per hundred pounds on refined sugar by some 32 cents to \$1.57 would maintain the existing protection of the refiners. A further reduction by 29 cents to \$1.28 would tend to bring the Canadian refiner's margin to much the same figure as that prevailing in the U.S.A. However, in the Canadian sugar industry, the high refiner's margin and the high level of profitability on a staple food commodity moved the Board to recommend the rate of \$1.20 per hundred pounds.

In the Board's view, a reduction of this nature would tend to discourage the maintenance of uneconomic excess capacity as the market increases, encourage greater rationalization in the industry and introduce certain elements of external competition which have hitherto been lacking.

Aware of the disadvantages of sudden and large changes in rates, the Board has nevertheless been moved to its conclusions by the cushion available to the industry by reason of its high level of profitability and the possibility in future years of obtaining cost economies by rationalization and diminution of excess capacity.

In the realm of raw and refined sugar, the Board's recommendations also embody changes in nomenclature. They would remove from the Customs Tariff the Dutch standard which is now long obsolete. Existing items 13400-1 and 13500-1 basically divide lighter-coloured sugars, as determined by certain Dutch standard qualifications, into those "imported or purchased in bond in Canada, by a recognized sugar refiner, for refining purposes only" and those not so imported; the recommended nomenclature would eliminate this division.

The Board is recommending the deletion of tariff items 13400-1 and 13500-1 and their replacement by three new items: one for raw sugars, one for "semi-refined" sugars of polarizations between 99.5° and 99.7° and one for refined sugars, including soft sugars and icing sugars. The icing sugars, because they contain substances other than sugar, and the soft sugars, because of their polarizations below 99.7° , appear to require specific mention to be classified in Recommended Item III.

Even where unrefined or semi-refined sugars could safely be used, either industrially or for direct consumption, the existing nomenclature, with high rates on the lighter-coloured sugars not imported by recognized refiners for refining purposes or by wineries, makes such imports practical only for recognized refiners or wineries. Because of the need for more competitive elements in the industry, the Board deems it necessary to discontinue this privileged position for the recognized refiner.

In recommending rate reductions which involve reductions in the margins of British preference, the Board is aware of problems arising out of existing treaty obligations and out of a natural reluctance to accept any diminution of preferential status. Without reductions in the margins of preference, the lower prices and greater competitiveness it sought would not be attained without anomalies in the rate structure; the recommended reduction on raw sugars would still give to B.P. countries sufficiently advantageous access to the Canadian market to ensure a continuation of the traditional trade with these countries.

For the B.P. Caribbean suppliers in particular, if there should be concern over reduction in the margin of preference, the weight or cogency of such concern will be lessened, to a marked extent, by their shrinking participation in the Canadian market occasioned by the greater attraction of other markets and other circumstances and the consequential smallness of the recent payments. Moreover, in recommending free entry for B.P. raws the Board is removing the basis on which payments of amounts substantially equivalent to the duties collected on raw sugars imported from B.P. Caribbean countries are calculated.

Those involved in the beet sugar industry, both the beet growers and the sugar factories, viewed with apprehension any reduction in the protection afforded to the industry by the Customs Tariff.

Table 66 shows that, over the last twenty years, the average annual production of sugar beets has been a little over one million tons of which about 140,000 tons, or some 15 per cent, were grown in Quebec; thus it seems that, since production in Ontario has ceased, western production has accounted for roughly 85 per cent of Canada's sugar beet production. Tables 67 and 73 show that, during the same period, the average farm returns per ton of beets were about \$17.00, including the deficiency payments.

Western beet sugar factories can be said to price their sugar output at a level which will compete with the delivered prices of refined cane sugar from British Columbia or Eastern Canada. In the result, a high point in pricing is reached in some areas of Saskatchewan with a diminution both east and west of these areas. In consequence, sugar prices in the Prairie Provinces are higher than those in Vancouver or Eastern Canada by an amount roughly equivalent to the cost of freight. For example, from Montreal to Winnipeg, such freight is now about \$1.79 per hundred pounds; thus, mere geography can be said to add about \$1.79 per hundred pounds to the wholesale price of competitive eastern sugar in Winnipeg. Of course, no such geographic protection is available to the Raffinerie de Sucre de Québec.

The deficiency payment program introduces some difficulty in assessing the validity of the beet sugar industry's apprehension concerning reductions in tariff protection. The data of Tables 78 and 79 suggest that, for 1967 and 1968, assuming full utilization of the existing B.P. rates, the Tariff would have enhanced the price of beets by some \$2.00 per ton; on the basis of 12.5 per cent sugar content, or 250 pounds of sugar per ton of beets, \$2.00 per ton of beets would represent 80 cents per hundred pounds of sugar.

The B.P. rates and preferential premium on raw sugars enhance the cost of refined sugar by about \$1.11 per one hundred pounds; the B.P. rates on refined sugar tend to enhance its price by \$1.09 per one hundred pounds; the calculations of Tables 78 and 79 are based on an enhancement of \$1.10 per one hundred pounds. The M.F.N. rate of \$1.89 per one hundred pounds on refined sugar was not considered in these calculations.

On the basis of \$1.10 per one hundred pounds, the additional price paid by consumers on some two billion pounds of sugar amounts to about \$22 million; were the only consideration the protection of the beet sugar industry, a measure of assistance equivalent to \$2 million would relieve consumers of sugar of payments totalling about \$22 million.

It would seem appropriate to finance any essential support to the sugar beet industry from general taxation, rather than by a method which raises the price to all Canadians of one of the least expensive foodstuffs, and, which, in consequence, would place on consumers a burden which would form a relatively larger proportion of lower than of higher incomes.

Recommended Item IV continues the existing end-use privilege of the Canadian manufacturers of wine; at present they may import sugar for such purpose at one one-hundredth of the existing duties on refined sugar under both the British Preferential and the Most-Favoured-Nation Tariffs, though paying the full rate under the General Tariff. The Board recommends the same privilege for sugar for use in the manufacture of wine, but related to its recommended rates on refined sugar. Similarly, it recommends the continuation, without change, of drawback item 97050-1.

The Board is reluctant to enlarge the end-use privileges of users of sugar, particularly in view of the rate reductions which it is recommending.

For the invert sugar and syrups of existing item 13505-1, the Board has followed the basic principle of the existing tariff structure by recommending duties broadly equivalent to the duties which would have been levied on the contained sugar. It has recommended a change in nomenclature in the interests of simplicity and uniformity with the nomenclature for sugar. It recommends rates of 50 cents, B.P., and 75 cents, M.F.N., per one hundred pounds, when the total of reducing sugars after inversion is equivalent to not more than 65 per cent by weight of the total syrup; with increments for each additional one per cent or fraction thereof, of 0.75 cent under the B.P. Tariff and one cent under the M.F.N. Tariff. In the result, in Recommended Item V, it has maintained a structure very similar to the existing structure, although the rates are based on its recommended rates for refined sugar.

It has also recommended a change in the opening paragraph of the item by increasing, from 71 to 75 per cent, the percentage of the total of reducing sugars, after inversion, of the total solids by weight. In the last fourteen years there have been no imports of molasses from Jamaica largely because their contained sugars might reach or exceed 71 per cent which would exclude them from item 13600-1 and attract the higher rates of existing item 13505-1.

The Board is recommending a similar change in the corresponding criterion in Recommended Items VI and VII.

Beet molasses is sold by the beet sugar factories. Cane molasses, be it Canadian refiners' molasses or imported molasses, is distributed in Canada by five companies; two of these companies are subsidiaries of the large British firm Tate & Lyle, two are subsidiaries of the large U.S. firm, SuCrest Corporation, and one appears to be without foreign affiliation. Freight costs and specialized uses bring about a situation where there is little competition between cane molasses and domestically produced beet molasses.

One Tate & Lyle subsidiary is the sole distributor of cane molasses west of Ontario; in the Quebec and Ontario market, which absorbs some 85 per cent of imports, there are two distributors: Canada West Indies Co., a subsidiary of the Tate & Lyle interests, and Imperial Molasses, a subsidiary of the SuCrest organization. There appears to be virtually only one major purchaser of blackstrap molasses from the Commonwealth Caribbean, apart from Barbados; this is the Tate & Lyle group which, through ownership of inland transportation facilities, storage facilities and suitable ships, is in a position to purchase most of the blackstrap available for export from these countries. The result is that the Tate & Lyle subsidiary, Canada West Indies Co., appears to be able to obtain B.P. supplies regularly while the SuCrest subsidiary, Imperial Molasses, usually cannot. Because the destination of the molasses is not known at the time of purchase, the prices of molasses are not differentiated according to preferential treatment. Thus any preferential margin offers but little benefit to Caribbean B.P. suppliers and is prejudicial to Canadian purchasers of molasses; consequently, the Board, in Recommended Item VI, recommends free entry under both Tariffs; in existing item 13600-1 the rates are Free, B.P., and one cent per gallon, M.F.N.

In Recommended Item VII, the Board has recommended a change in nomenclature, to correspond with that in Recommended Item V, by increasing from "less than 71" to "less than 75", the percentage of the total sugars after inversion of the total solids by weight. Otherwise it recommends no change in nomenclature or in the existing rate of one cent per gallon, under both Tariffs, for the sugar beet syrups classified in the item.

Recommended Item VIII is intended to cover the molasses known as fancy molasses without change in rates. However, the Board recommends a change in nomenclature in order to describe more clearly the product intended for classification in the item. The Board recommends a change in the description in existing tariff item 13700-1 and the addition of the words "of the kind known as fancy molasses" while retaining the existing qualification "for human consumption only". It further recommends the elimination of the existing sulphated ash criterion because it no longer corresponds with the Food and Drug Regulations for the product commonly known as fancy molasses.

Recommended Item IX provides for molasses powder at rates commensurate with the Board's other recommendations. Only small quantities are now imported; all imports are from the U.S.A. The only evidence before the Board pointed to the product being a high-priced one, manufactured only in the U.S.A. and used in animal feeds in Western Canada without hitherto providing serious competition to the Canadian industry.

Finally, in Recommended Item X, the Board continues the provision for cane or beet syrups, n.o.p., at rates commensurate with its other recommendations.

The Board is recommending the deletion of existing item 14005-1 which provides for shredded sugar cane. Since the introduction of records of imports by tariff item in 1965, no imports have been recorded under this item. Indeed, none of those persons skilled and experienced in the sugar trade appeared to know what the product was. To the Board, the item appears unnecessary and extraneous to the sugar provisions of the Customs Tariff.

RECOMMENDED SCHEDULE

That Schedule "A" to the Customs Tariff be amended by striking out tariff items 13400-1, 13405-1, 13500-1, 13505-1, 13600-1, 13650-1, 13700-1, 13705-1, 14000-1 and 14005-1 and the enumerations of goods and the rates of duty set out opposite each of these items, and by inserting therein the following items, enumerations of goods and rates of duty:

<u>Tariff Item</u>	<u>Goods Subject to Duty and Free Goods</u>	<u>British Prefer- ential Tariff</u>	<u>Most- Favoured- Nation Tariff</u>	<u>General Tariff</u>
I	Sugar, n.o.p., under such regulations as the Minister may prescribe, when not exceeding 76° of polarization per one hundred pounds	Free	45 cts.	45 cts.
	Plus, for each additional degree of polarization or fraction thereof per one hundred pounds	-	1.5 cts.	1.5 cts.
II	Sugar, under such regulations as the Minister may prescribe, when of a polarization of 99.5° or more but less than 99.7° per one hundred pounds	35 cts.	\$1.10	\$1.10
III	Sugar, when of a polarization of 99.7° or more; soft sugars such as brown, yellow or golden sugar; icing sugar; all the foregoing, under such regulations as the Minister may prescribe per one hundred pounds	80 cts.	\$1.20	\$1.60
IV	Sugar, for use in the manufacture of wine per one hundred pounds	0.8 ct.	1.2 cts.	\$1.60
V	Invert sugar, and syrups being the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, in which the percentage of the total of reducing sugars after inversion is seventy-five per cent or greater of the total			

Tariff Item	Goods Subject to Duty and Free Goods	British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff
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V (Cont'd)

solids by weight, not including syrups in receptacles where the gross weight of the receptacle and contents does not exceed sixty pounds:

When the total of reducing sugars after inversion is equivalent to not more than sixty-five per cent by weight of the total syrup

per one hundred pounds 50 cts. 75 cts. \$1.00

Plus, for each additional one per cent or fraction thereof in excess of sixty-five per cent by weight of the total syrup

per one hundred pounds 0.75 ct. 1 ct. 1.5 cts.

VI Syrups, the product of the sugar cane, in which the percentage of the total of reducing sugars after inversion is less than seventy-five per cent of the total solids by weight

per gallon Free Free 1.5 cts.


VII Syrups, the product of the sugar beet, in which the percentage of the total of reducing sugars after inversion is less than seventy-five per cent of the total solids by weight


per gallon 1 ct. 1 ct. 5 cts.


VIII Concentrated sugar cane juice, partly inverted, of the kind known as fancy molasses, for human consumption only

per gallon Free 1 ct. 1.5 cts.

Tariff Item	Goods Subject to Duty and Free Goods	British Prefer- ential Tariff	Most- Favoured- Nation Tariff	General Tariff
IX	Molasses powder, without admixture or with added colouring or anti-caking agent per one hundred pounds	25 cts.	30 cts.	50 cts.
X	Syrups, the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, n.o.p. per gallon	3.5 cts.	4.5 cts.	7 cts.


Chairman


Member


Member

Ottawa, July 20 , 1971

APPENDIX ISTATISTICS

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Sugar Refineries: Principal Statistics, 1961-1969
 Raffineries de Sucre: Statistiques Principales, 1961-1969

Table 1
 Tableau 1

Manufacturing Activity	1961	1962	1963	1964	1965	1966	1967	1968	1969	Activité manufacturière	
					number - nombre						
Establishments	11	11	11	13	13	13	13	13	14	Etablissements	
Production and related workers	2,457	2,432	2,466	2,459	2,392	2,321	2,365	2,416	2,254	Travailleurs de la production et connexes	
					thousand dollars - milliers de dollars						
Wages	9,842	10,545	11,078	11,333	11,244	11,753	12,676	14,529	14,724	Salaires	
Fuel and electricity	2,685	2,872	2,898	3,039	3,203	3,144	3,146	3,413	2,993	Combustible et électricité	
Materials and supplies	37,040	90,938	182,346	168,475	95,225	90,201	84,882	90,513	113,299	Matières et fournitures	
Value of shipments										Valeur des expéditions de marchandises de propre fabrication	
of goods of own manufacture	133,453	141,245	232,715	228,272	152,765	145,781	143,506	152,194	174,825	Valeur ajoutée	
Value added	40,672	49,560	60,084	46,879	51,995	50,579	55,024	58,249	65,498		
					number - nombre					Activité totale	
Total Activity											
Employees	3,151	3,134	3,163	3,205	3,192	3,043	3,129	3,149	2,978	Employés	
					thousand dollars - milliers de dollars						
Salaries and wages	14,286	15,239	16,234	16,859	17,197	17,144	18,512	20,505	20,985	Traitements et salaires	
Value added	40,687	49,463	59,958	46,831	51,907	50,907	55,943	59,749	65,946	Valeur ajoutée	

Materials and Supplies Used by Sugar Refineries, 1961-69
Matières et fournitures utilisées par les raffineries de sucre, 1961-69

Materials used	1961			1962			1963			Matières utilisées
	Quantity Quantité	Cost Coût		Quantity Quantité	Cost Coût		Quantity Quantité	Cost Coût		
	'000 ton milliers de tonnes	\$'000 milliers de \$		'000 ton milliers de tonnes	\$'000 milliers de \$		'000 ton milliers de tonnes	\$'000 milliers de \$		
Sugar beets	1,104.3	13,447		1,148.1	13,558		1,222.2	23,168		Betteraves à sucre
Raw cane sugar	730.9	63,182		807.7	67,712		839.6	148,393		Sucre de canne brut
Liquid sugars(a)	-	-		-	-		-	-		Sucre liquide ^a
Sugar, granulated	-	-		-	-		-	-		Sucre cristallisé
Molasses for dried pulp	-	-		-	-		-	-		Mélasses, pour pulpe séchée
Defoamers	-	-		-	-		-	-		Produits anti-mousse
Cornstarch(b)	1.1	174		1.2	198		1.4	239		Fécule de maïs ^b
Charcoal:										Charbon:
Animal (Boneblack)	1.5	308		0.5	96		1.6	365		Noir animal
Vegetable	-	-		-	-		-	-		Végétal
Infusorial earth	2.1	189		2.1	189		2.3	219		Terre d'infusoires
Carbon, activated	-	-		0.1	37		0.1	33		Charbon activé
Lime	2.0	39		2.5	49		2.5	49		Chaux
Limestone	50.6	255		52.4	245		49.2	240		Pierre à chaux
Sulphur	0.1	6		0.2	7		0.1	6		Soufre
Acids(c)	0.5	47		0.6	50		0.6	48		Acides ^c
Soda ash	0.1	9		0.2	11		0.3	19		Cendre de soude
Caustic soda, 100%	-	-		-	-		-	-		Soude caustique, 100%
Filtering materials, n.e.s.	..	37		..	36		..	19		Matières de filtrage, n.e.s.
All other materials	..	154		..	109		..	82		Toutes autres matières
Containers	..	6,286		..	6,363		..	6,615		Contenants
Operating expenses(d)	-	2,214		-	2,279		-	2,853		Frais d'exploitation ^d
Total	..	86,346		..	90,938		..	182,346		Total

Table 2 (Cont'd)
Tableau 2 (Suite)

Materials used	1964			1965			1966			Matières utilisées
	Quantity Quantité '000 ton milliers de tonnes	Cost Coût \$'000 milliers de \$		Quantity Quantité '000 ton milliers de tonnes	Cost Coût \$'000 milliers de \$		Quantity Quantité '000 ton milliers de tonnes	Cost Coût \$'000 milliers de \$		
Sugar beets	1,260.6	23,297		1,242.0	15,279		1,094.7	12,550		Betteraves à sucre
Raw cane sugar	761.0	133,054		855.5	68,273		908.9	65,468		Sucre de canne brut
Liquid sugars(a)	1.9	415		1.2	181		3.7	442		Sucre liquide(a)
Sugar, granulated	-	-		-	-		0.3	41		Sucre cristallisé
Molasses for dried pulp	7.8	214		11.8	324		22.0	684		Mélasses, pour pulpe séchée
Defoamers	-	-		-	-		0.2	62		Produits anti-mousse
Cornstarch(b)	1.5	273		1.3	228		1.3	233		Fécule de maïs(b)
Charcoal:										Charbon:
Animal (Boneblack)	1.4	308		1.7	388		1.8	452		Noir animal
Vegetable	-	-		-	-		0.2	48		Végétal
Infusorial earth	2.2	222		2.3	214		2.0	202		Terre d'infusoires
Carbon, activated	0.2	47		0.2	56		0.1	21		Charbon activé
Lime	2.2	43		2.4	59		2.3	45		Chaux
Limestone	60.7	295		66.1	298		56.9	269		Pierre à chaux
Sulphur	0.3	17		0.2	12		0.2	9		Soufre
Acids(c)	0.6	53		0.6	58		0.7	59		Acides(c)
Soda ash	0.5	18		0.5	26		0.1	11		Cendre de soude
Caustic soda, 100%	-	-		-	-		0.2	17		Soude caustique, 100%
Filtering materials, n.e.s.	..	29		..	25		..	96		Matières de filtrage, n.c.a.
All other materials	..	114		..	222		..	13		Toutes autres matières
Containers	..	6,421		..	6,254		..	6,072		Contenants
Operating expenses(d)	-	3,657		-	3,328		-	3,407		Frais d'exploitation(d)
Total	..	168,475		..	95,225		..	90,201		Total

Table 2 (Concl'd)
Tableau 2 (Fin)

Materials used	1967		1968		1969		Matières utilisées
	Quantity 1000 ton milliers de tonnes	Cost \$1000 milliers de \$	Quantity 1000 ton milliers de tonnes	Cost \$1000 milliers de \$	Quantity 1000 ton milliers de tonnes	Cost \$1000 milliers de \$	
Sugar beets	1,151.9	13,933	1,156.3	13,693	1,079.4	16,471	Betteraves à sucre
Raw cane sugar	902.5	58,701	956.4	64,964	970.7	82,284	Sucre de canne, brut
Liquid sugars (a)	3.3	425	3.6	436	3.3	488	Sucre liquide ^{a)}
Sugar, granulated	0.3	38	0.3	38	18.4	2,210	Sucre cristallisé
Molasses for dried pulp	19.3	619	18.1	603	20.3	684	Mélasses, pour pulpe séchée
Defoamers (b)	0.1	55	0.1	47	0.2	53	Produits anti-mousse
Cornstarch	1.2	230	1.2	227	1.3	239	Fécule de maïs ^{b)}
Charcoal:							Charbon:
Animal (Boneblack)	1.8	503	1.8	495	1.8	525	Noir animal
Vegetable	0.1	31	0.2	48	0.1	44	Végétal
Infusorial earth	1.7	157	2.2	209	1.8	176	Terre d'infusoires
Carbon, activated	0.1	20	0.1	33	%	20	Charbon activé
Lime	2.5	47	2.8	55	3.8	70	Chaux
Limestone	57.7	271	59.5	257	58.1	299	Pierre à chaux
Sulphur	0.2	10	0.2	10	0.2	11	Soufre
Acids (c)	0.7	65	0.8	79	0.7	67	Acides ^{c)}
Soda ash	0.2	17	0.2	16	0.1	10	Cendre de soude
Caustic soda, 100%	0.2	17	0.2	18	0.2	16	Soude caustique, 100%
Filtering materials, n.e.s.	..	79	..	65	..	27	Matières de filtrage, n.c.a.
All other materials	..	28	..	40	..	55	Toutes autres matières
Containers	..	5,974	..	5,834	..	5,869	Contenants
Operating expenses (d)	-	3,663	-	3,345	-	3,681	Frais d'exploitation ^{d)}
Total	..	84,882	..	90,513	..	113,299	Total

(a) Beginning in 1966, included invert - A compter de 1966, comprend le sucre inverti

(b) Includes other starches - Comprend d'autres amidons

(c) Includes sulphuric, hydrochloric or muriatic and phosphoric -

(d) Includes maintenance and repair supplies used (excluding fuel)

(e) Includes maintenance and repair supplies used (excluding fuel)

Source: DBS Cat. No. 32-222 - BFS, Cat. n° 32-222

Table 3
Tableau 3

Refined sugar: Stock, Production, Imports, Exports and Consumption, 1939, 1945 and 1954-1968
Sucre raffiné: Stock, production, importations, exportations et consommation, 1939, 1945 et 1954-1969

	<u>1939</u>	<u>1945</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	
	million pounds - millions de livres									
Opening stocks held by refiners	255.1	146.5	294.0	281.2	340.9	322.9	343.9	378.1	344.2	Stock d'ouverture détenus par les raffineurs
Production from cane	987.3	816.7	1,208.5	1,303.6	1,306.0	1,271.6	1,304.7	1,357.4	1,426.4	Production de canne
Production from beet	169.3	163.8	232.1	274.5	246.6	261.7	339.9	271.3	308.3	Production de betterave
Total production	1,156.6	980.5	1,440.6	1,578.1	1,552.6	1,533.2	1,644.6	1,628.7	1,734.7	Production totale
Imports ^{a)}	8.0	11.4	3.4	7.3	5.0	28.8	8.0	1.3	0.6	Importations ^{a)}
Exports ^{b)}	1.8	44.8	0.6	2.3	1.3	1.8	1.5	1.4	7.6	Exportations ^{b)}
Closing stocks held by refiners	248.5	183.2	281.2	340.9	322.9	343.9	378.1	344.2	409.9	Stock de fermeture détenus par les raffineurs
Total consumption	1,169.4	910.4	1,456.1	1,523.5	1,574.4	1,539.2	1,616.8	1,662.4	1,662.0	Consommation totale
Industrial consumption	333.4	342.4	648.4	693.0	724.5	782.1	800.0	795.7	821.3	Consommation industrielle
Available for household and institutional consumption	836.0	568.0	807.7	830.5	849.9	757.2	816.8	866.8	840.7	Disponible pour la consommation dans les ménages et dans les établissements
	pounds - livres									
Per capita consumption	103.79	75.41	95.25	97.05	97.91	92.78	94.83	95.31	93.29	Consommation par tête

Table 3 (Concl'd)
Tableau 3 (fin)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	million pounds - millions de livres								
Opening stocks held by refiners	409.9	389.1	411.6	453.3	405.1	420.0	278.3	272.8	232.4
Production from cane	1,377.9	1,502.5	1,532.9	1,539.2	1,673.5	1,766.9	1,770.9	..	..
Production from beet	257.8	286.0	308.9	329.5	311.0	289.2	301.8	..	..
Total production	1,635.7	1,788.5	1,841.8	1,868.7	1,984.5	2,056.1	2,072.7	2,107.3	2,170.9
Imports (a)	8.5	2.4	15.6	27.2	1.7	3.0	6.0	6.4	0.8
Exports (b)	16.1	22.9	107.9	31.0	37.1	33.6	42.6	48.1	32.3
Closing stocks held by refiners	389.1	411.6	453.3	405.1	393.1	410.8	285.7	226.1	281.1
Total consumption	1,649.0	1,745.5	1,707.9	1,913.0	1,961.1	2,034.7	2,028.6	2,112.3	2,090.6
Industrial consumption	846.0	873.5	891.1	927.9	1,007.4	1,109.1	1,184.2	1,226.6	..
Available for household and institutional consumption	803.0	872.0	816.7	985.1	953.2	925.6	844.5	885.7	..
	pounds - livres								
Per capita consumption	90.42	93.99	90.38	99.17	99.83	101.66	99.42	101.83	99.27
	Consumption par tête								

(a) Revised to exclude refined sugars other than sucrose, for years 1965 to 1969
(b) May contain refined sugars other than sucrose, for years 1965 to 1969

a) Révisées, afin d'en exclure les sucres raffinés à l'exception du saccharose pour les années 1965 à 1969
b) Peut inclure des sucres raffinés autres que le saccharose pour les années 1965 à 1969

Source: DBS Cat. No. 32-222
BFS, Cat. n° 32-222

Table 4
Tableau 4

Refined sugar of cane or beet: Apparent Canadian Market 1965 to 1969
Sucre raffiné de canne et betterave: Marché apparent canadien 1965 à 1969

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	
	thousand pounds - milliers de livres					
<u>Imports</u>						<u>Importations</u>
<u>United Kingdom</u>	1,200	2,886	6,018	6,128	139	Royaume-Uni
<u>U.S.A.</u>	45	129	11	142	250	Etats-Unis
<u>Other</u>	<u>441</u>	<u>-</u>	<u>2</u>	<u>154</u>	<u>421</u>	<u>Autres</u>
<u>Total</u>	<u>1,686</u>	<u>3,015</u>	<u>6,031</u>	<u>6,424</u>	<u>810</u>	<u>Total</u>
<u>Shipments</u>						<u>Expéditions</u>
<u>Granulated sugar</u>						<u>Sucre granulé</u>
<u>Cane</u>	..	1,350,174	1,295,529	1,340,834	1,339,448	Canne
<u>Beet</u>	..	245,185	269,339	252,807	231,990	Betterave
<u>Total granulated</u>	<u>1,546,381</u>	<u>1,595,359</u>	<u>1,564,868</u>	<u>1,593,641</u>	<u>1,571,438</u>	<u>Total granulé</u>
<u>Loaf & cube sugar</u>	<u>13,170</u>	<u>12,615</u>	<u>12,130</u>	<u>12,144</u>	<u>12,042</u>	<u>Pains et carrés de sucre</u>
<u>Liquid sugar and syrups (a)</u>	188,526	225,862	260,272	316,406	315,797	<u>Sucre liquide et sirops (a)</u>
<u>Pulverized and icing sugar</u>	96,947	92,996	99,750	103,231	106,382	<u>Sucre pulvérisé et sucre à glacer</u>
<u>Yellow or brown sugar</u>	135,793	127,174	128,228	128,511	124,980	<u>Sucre jaune ou brun</u>
<u>Total cane</u>	1,653,528	1,789,117	1,762,173	1,866,880	1,887,821	<u>Total canne</u>
<u>Total beet</u>	327,288	276,213	303,076	287,053	242,819	<u>Total betterave</u>
<u>Total shipments</u>	<u>1,980,816</u>	<u>2,065,330</u>	<u>2,065,249</u>	<u>2,153,933</u>	<u>2,130,639</u>	<u>Total des expéditions</u>
<u>Exports</u>	37,090	33,571	42,637	48,067	32,299	<u>Exportations</u>
<u>Market</u>	<u>1,945,412</u>	<u>2,034,773</u>	<u>2,028,643</u>	<u>2,112,290</u>	<u>2,099,150</u>	<u>Marché</u>

Table 4 (Cont'd)
Tableau 4 (Suite)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	thousand dollars - milliers de dollars				
<u>Imports</u>					
United Kingdom	109	215	497	506	16
U.S.A.	4	17	2	18	35
Other	18	-	*	5	32
Total	<u>132</u>	<u>232</u>	<u>500</u>	<u>530</u>	<u>82</u>
<u>Shipments</u>					
Granulated sugar					
Cane	..	89,057	86,708	91,690	107,155
Beet	..	17,000	18,669	17,431	19,330
Total granulated	<u>113,147</u>	<u>106,057</u>	<u>105,377</u>	<u>109,121</u>	<u>126,485</u>
Loaf & cube sugar	1,553	1,479	1,419	1,484	1,598
Liquid sugar and syrups ^(a)	13,739	14,173	17,003	21,102	24,355
Pulverized and icing sugar	7,957	7,254	7,742	8,332	9,849
Yellow or brown sugar	10,693	9,856	9,650	10,263	11,696
Total cane	123,463	120,880	120,022	130,203	153,503
Total beet	23,626	19,299	21,172	20,100	20,480
Total shipments	<u>147,089</u>	<u>140,179</u>	<u>141,193</u>	<u>150,302</u>	<u>173,983</u>
<u>Exports</u>	<u>2,312</u>	<u>1,868</u>	<u>2,482</u>	<u>2,880</u>	<u>2,148</u>
<u>Market</u>	<u>144,909</u>	<u>138,543</u>	<u>139,211</u>	<u>147,952</u>	<u>171,917</u>
<u>Importations</u>					
Royaume-Uni					16
Etats-Unis					35
Autres					32
Total					<u>82</u>
<u>Expéditions</u>					
Sucre granulé					
Cane					107,155
Betterave					19,330
Total granulé					<u>126,485</u>
Pains et carrés de sucre					1,598
Sucre liquide et sirops ^(a)					24,355
Sucre pulvérisé et sucre à glacier					9,849
Sucre jaune ou brun					11,696
Total canne					153,503
Total betterave					20,480
Total des expéditions					<u>173,983</u>
<u>Exportations</u>					<u>2,148</u>
<u>Marché</u>					<u>171,917</u>

Table 4 (Concl'd)
Tableau 4 (Fin)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
	dollars	per hundredweight	-	dollars	les cent livres
<u>Imports</u>					
United Kingdom	9.09	7.44	8.26	8.26	11.38
U.S.A.	9.10	13.41	23.33	12.89	13.93
Other	4.18	-	11.73	3.36	7.57
Total	<u>7.80</u>	<u>7.70</u>	<u>8.29</u>	<u>8.25</u>	<u>10.19</u>
<u>Shipments</u>					
Granulated sugar					
Cane	..	6.60	6.69	6.84	8.00
Beet	..	6.93	6.93	6.90	8.33
Total granulated	<u>7.32</u>	<u>6.65</u>	<u>6.73</u>	<u>6.85</u>	<u>8.05</u>
Loaf & cube sugar	11.79	11.72	11.70	12.22	13.27
<u>Liquid sugar and syrups (a)</u>	7.29	6.28	6.53	6.67	7.71
<u>Pulverized and icing sugar</u>	8.21	7.80	7.76	8.07	9.26
<u>Yellow or brown sugar</u>	7.87	7.75	7.53	7.99	9.36
<u>Total cane</u>	7.47	6.76	6.81	6.97	8.15
<u>Total beet</u>	<u>7.22</u>	<u>6.99</u>	<u>6.99</u>	<u>7.00</u>	<u>8.43</u>
<u>Total shipments</u>	<u>7.43</u>	<u>6.79</u>	<u>6.84</u>	<u>6.98</u>	<u>8.17</u>
<u>Exports</u>	6.23	5.56	5.82	5.99	6.65
<u>Market</u>	<u>7.45</u>	<u>6.81</u>	<u>6.86</u>	<u>7.00</u>	<u>8.19</u>

(a) Includes invert, sucrose, and their mixtures

a) Comprend le sucre inverti, le saccharose et leurs mélanges

Source: DBS Cat. Nos. 65-007, 32-222

BFS, Cat. nos 65-007, 32-222

Table 5
Tableau 5

Refined Cane and Beet Sugar used by Manufacturing Industries, 1959-68
Sucre de canne et de betterave raffiné utilisé dans l'industrie manufacturière, 1959-1968

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	
	million pounds - millions de livres										
Soft drink manufacturers	177.5	180.6	192.4	189.4	209.0	212.5	218.8	255.8	293.8	300.3	Fabricants de boissons gazeuses
Fruit and vegetable canners											Mise en conserves et préservation des
and preservers											fruits et des légumes
Confectionery manufacturers	143.7	156.4	154.9	160.6	153.0	174.2	186.5	196.7	194.3	195.8	Confiserie
Bakeries	120.2	129.3	132.4	132.7	137.7	144.0	164.2	172.9	180.6	183.8	Boulangeries
	112.2	114.3	112.0	115.1	101.6	111.8	125.7	134.0	147.0	138.8	Industries d'aliments divers
Miscellaneous food industries	83.2	91.0	101.6	101.2	117.6	116.6	112.0	136.5	139.0	159.8	Biscuiteries
Biscuit manufacturers	57.2	58.8	58.9	67.1	63.5	67.8	71.3	72.7	82.3	88.9	Fabriques laitières
Dairy factories	54.7	42.1	41.2	46.0	51.3	55.3	61.7	62.3	67.9	77.1	Fabricants de céréales d'alimentation
Breakfast cereal manufacturers	10.9	12.1	13.6	14.2	10.4	11.6	12.8	13.5	13.3	15.1	Fabricants de fromage fondu
Process cheese manufacturers	7.4(a)	8.9	9.5	11.3	11.2	12.2	13.1	14.6	15.4	17.9	Abattage et préparation de la viande
Slaughtering and meat processors	6.7(a)	6.1(a)	8.0	10.6	5.2	5.6	5.3	5.2	5.6	5.8	Moulins à farine
Flour mills	6.8	6.4	6.1	7.6	11.0	10.6	10.2	10.9	11.8	11.0	Industries du vin
Wineries	2.9	2.7	3.2	3.7	4.3	7.6	7.9	7.7	7.5	6.8	Manufacturiers d'aliments pour
											les animaux
Feed Manufacturers	..	..	2.8	4.2	5.6	4.5	4.4	6.4	7.0	6.1	Produits médicaux et pharmaceutiques
Pharmaceuticals and medicines	..	..	4.6	4.6	4.9	5.1	5.6	6.3	5.9	6.6	Raffineries de sucre
Sugar refineries	..	..	..	..	..	3.8	3.0	8.0	7.1	7.8	Autres industries
Other industries	12.1	12.2	4.2	5.2	5.0	5.1	4.8	5.6	5.7	5.0	
Total	<u>795.7</u>	<u>821.3</u>	<u>846.0</u>	<u>873.5</u>	<u>891.1</u>	<u>948.2</u>	<u>1007.4</u>	<u>1109.1</u>	<u>1184.2</u>	<u>1226.6</u> (p)	Total

(a) Estimated - Estimation
(p) Preliminary - provisoire

Source: DBS Cat. No. 32-222
BFS, Cat. n° 32-222

Table 6
Tableau 6

Imports: Raw sugar for refining, s.c. 101-15(a)

Importations: Sucre brut pour raffinage, c.s. 101-15^a)

Tariff items) and
) 13500-1 13500-2
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
	<u>totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	ton	\$'000	\$/ton	\$'000	\$'000	<u>imposable</u>
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	
<u>Total - Total</u>						
1959	748,073	55,831	74.63	55,831	6,508	11.7
1960	667,522	49,761	74.55	49,761	5,293	10.6
1961	743,285	51,867	69.78	51,867	5,495	10.6
1962	814,620	55,753	68.44	55,753	5,733	10.3
1963	810,685	125,287	154.54	125,287	6,705	5.4
1964	756,505	100,667	133.07	100,667	5,319	5.3
1965	896,503	53,514	59.69	53,514	7,257	13.6

Commonwealth Caribbean
Antilles du Commonwealth

Guyana - Guyane

1959	97,798	7,683	78.56	7,683	606	7.9
1960	102,604	8,007	78.04	8,007	636	7.9
1961	129,384	9,174	70.91	9,174	809	8.8
1962	93,072	7,140	76.71	7,140	588	8.2
1963	100,007	15,901	159.00	15,901	626	3.9
1964	125,063	17,693	141.47	17,693	791	4.5
1965	99,938	6,119	61.23	6,119	631	10.3

British Honduras - Honduras britannique

1959	-	-	-	-	-	-
1960	-	-	-	-	-	-
1961	6,874	476	69.29	476	42	8.7
1962	7,125	500	70.12	500	44	8.7
1963	3,314	869	262.23	869	20	2.3
1964	1,874	200	106.71	200	11	5.6
1965	5,600	328	58.51	328	33	10.1

Table 6 (Cont'd)
Tableau 6 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	ton \$'000	milliers de \$	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	
<u>Barbados - Barbade</u>						
1959	31,158	2,309	74.10	2,309	191	8.3
1960	11,760	379	74.75	879	72	8.2
1961	44,366	3,444	77.62	3,444	270	7.8
1962	22,554	1,649	73.11	1,649	137	8.3
1963	8,235	1,920	233.14	1,920	49	2.6
1964	11,145	1,875	168.27	1,875	67	3.6
1965	20,357	1,435	70.47	1,435	126	8.8
<u>Jamaica - Jamaïque</u>						
1959	126,253	9,778	77.45	9,778	774	7.9
1960	116,659	9,234	79.16	9,234	717	7.8
1961	117,193	8,838	75.41	8,838	715	8.1
1962	116,218	8,384	72.14	8,384	711	8.5
1963	89,608	15,859	176.93	15,859	545	3.4
1964	102,065	15,467	151.54	15,467	626	4.0
1965	88,887	5,574	62.71	5,574	534	9.6
<u>Leeward and Windward Islands - Iles sous-le-Vent et du Vent</u>						
1959	19,610	1,517	77.36	1,517	120	7.9
1960	13,801	1,025	74.27	1,025	85	8.3
1961	11,757	842	71.65	842	73	8.6
1962	16,834	1,223	72.67	1,223	103	8.8
1963	11,469	1,671	145.74	1,671	70	4.2
1964	5,577	625	112.14	625	34	5.5
1965	3,172	216	68.19	216	19	8.7
<u>Trinidad - Tobago - Trinidad et Tobago</u>						
1959	27,570	2,188	79.37	2,188	170	7.8
1960	51,980	3,963	76.25	3,963	320	8.1
1961	46,663	3,526	75.57	3,526	283	8.0
1962	45,320	3,227	71.21	3,227	277	8.6
1963	30,854	5,416	175.55	5,416	185	3.4
1964	47,775	7,482	156.62	7,482	284	3.8
1965	55,672	3,378	60.67	3,378	334	9.9

Table 6 (Cont'd)
Tableau 6 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Total Commonwealth Caribbean - Total, Antilles du Commonwealth

1959	302,389	23,475	77.63	23,475	1,862	7.9
1960	296,804	23,109	77.86	23,109	1,830	7.9
1961	356,237	26,301	73.83	26,301	2,191	8.3
1962	301,123	22,122	73.47	22,122	1,859	8.4
1963	243,487	41,636	171.00	41,636	1,496	3.6
1964	293,499	43,343	147.68	43,343	1,813	4.2
1965	273,626	17,050	62.31	17,050	1,676	9.8

Other B.P. countries
Autres pays P.B.Mauritius and Dependencies - Maurice (île) et dépendances

1959	97,306	7,580	77.90	7,580	616	8.1
1960	28,997	2,100	72.41	2,100	183	8.7
1961	88,225	5,600	63.48	5,600	553	9.9
1962	74,588	5,215	69.92	5,215	470	9.0
1963	54,980	8,606	156.53	8,606	343	4.0
1964	138,810	13,008	93.71	13,008	889	6.8
1965	104,547	6,389	61.11	6,389	683	10.7

Republic of South Africa - République sud-africaine

1959	5,600	461	82.40	461	34	7.4
1960	22,993	1,828	79.49	1,828	145	7.9
1961	40,226	2,710	67.37	2,710	251	9.3
1962	55,325	3,885	70.23	3,885	353	9.1
1963	87,175	15,955	183.03	15,955	542	3.4
1964	95,615	11,946	124.94	11,946	602	5.0
1965	121,835	8,012	65.76	8,012	786	9.8

India - Inde

1959	-	-	-	-	-	-
1960	-	-	-	-	-	-
1961	-	-	-	-	-	-
1962	118,794	8,068	67.91	8,068	800	9.9
1963	104,707	16,311	155.78	16,311	723	4.4
1964	-	-	-	-	-	-
1965	58,218	3,493	60.00	3,493	368	10.5

Table 6 (Cont'd)
Tableau 6 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	Importations	\$'000	Valeur à l'unité	Valeur imposable	Droits perçus	Droits en % de la valeur imposable
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	
<u>Australia - Australie</u>						
1959	193,840	14,004	72.25	14,004	1,234	8.8
1960	183,742	12,723	69.24	12,723	1,158	9.1
1961	181,842	12,164	66.89	12,164	1,151	9.5
1962	187,280	11,793	62.97	11,793	1,176	10.0
1963	145,968	17,570	120.37	17,570	924	5.3
1964	129,315	18,153	140.38	18,153	818	4.5
1965	147,484	8,568	58.09	8,568	935	10.9
<u>Fiji - Fidji</u>						
1959	61,514	4,762	77.41	4,762	374	7.8
1960	79,867	6,473	81.05	6,473	482	7.4
1961	35,051	2,505	71.46	2,505	219	8.7
1962	48,229	3,129	64.87	3,129	295	9.4
1963	77,149	8,570	111.08	8,570	479	5.6
1964	48,073	7,388	153.68	7,388	304	4.1
1965	81,716	4,783	58.53	4,783	517	10.6
<u>Rhodesia - Rhodésie</u>						
1959-62	-	-	-	-	-	-
1963	21,126	4,565	216.08	4,565	134	2.9
1964	23,481	2,295	97.75	2,295	149	6.5
1965	32,066	1,808	56.38	1,808	203	11.2
<u>Total other B.P. countries - Total, autres pays P.B.</u>						
1959	358,260	26,808	74.83	26,808	2,258	8.4
1960	315,599	23,123	73.27	23,123	1,969	8.5
1961	345,344	22,979	66.54	22,979	2,173	9.5
1962	484,216	32,090	66.27	32,090	3,093	9.6
1963	491,105	71,577	145.75	71,577	3,145	4.4
1964	435,294	52,790	121.27	52,790	2,763	5.2
1965	545,866	33,053	60.55	33,053	3,492	10.6
<u>Total British Preferential - Total, préférence britannique</u>						
1959	660,649	50,283	76.11	50,283	4,120	8.2
1960	612,403	46,232	75.49	46,232	3,799	8.2
1961	701,581	49,280	70.24	49,280	4,364	8.9
1962	785,339	54,212	69.03	54,212	4,952	9.1
1963	734,592	113,213	154.12	113,213	4,641	4.1
1964	728,793	96,133	131.91	96,133	4,576	4.8
1965	819,492	50,103	61.14	50,103	5,168	10.3

Table 6 (Concl'd)
Tableau 6 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Other Countries
Autres Pays

Cuba - Cuba

1959	87,423	5,548	63.46	5,548	2,388	43.0
1960	55,120	3,529	64.02	3,529	1,495	42.4
1961	39,489	2,462	62.35	2,462	1,071	43.5
1962	15,904	821	51.62	821	425	51.7
1963	69,726	10,975	157.41	10,975	1,894	17.3
1964	280	28	98.24	28	8	30.0
1965	71,185	3,125	43.90	3,125	1,930	61.8

Other countries - Autres pays

1959	-	-	-	-	-	-
1960	-	-	-	-	-	-
1961	2,216	125	56.31	125	60	48.2
1962	13,377	720	53.83	720	356	49.5
1963	6,367	1,098	172.45	1,098	171	15.6
1964	27,432	4,506	164.26	4,506	735	16.3
1965	5,826	287	49.26	287	158	55.1

(a) Beginning in 1966 included in s.c. 101-19, "Raw sugar"

a) A compter de 1966, compris dans c.s. 101-19 "Sucre brut"

Imports: Raw sugar for refining purposes and for use in the manufacture of wine s.c. 101-15 and s.c. 101-19(a)

Importations: Sucre brut pour raffinage et pour la fabrication du vin, c.s. 101-15 et c.s. 101-19 a)

Tariff items) and
) 13400-1, 13500-1 13500-2
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Importations</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
<u>Année</u>	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Total - Total

1959	761,020	56,810	74.65	56,810	6,550	11.5
1960	679,919	50,677	74.53	50,677	5,330	10.5
1961	755,186	52,729	69.82	52,729	5,524	10.5
1962	830,675	56,926	68.53	56,926	5,808	10.2
1963	821,311	126,735	154.31	126,735	6,886	5.4
1964	763,902	101,869	133.35	101,869	5,331	5.2
1965	916,021	55,134	60.19	55,134	7,319	13.3
1966	850,640	44,873	52.75	44,873	6,993	15.6
1967	980,755	47,575	48.51	47,575	7,883	16.6
1968	947,694	46,411	48.97	46,411	6,862	14.8
1969	1,043,237	70,287	67.37	70,287	8,354	11.9

Commonwealth Caribbean
Antilles du Commonwealth

Bahamas - Iles Bahamas

1959-68	-	-	-	-	-	-
1969	5,045	334	66.29	334	32	9.5

British Honduras - Honduras britannique

1959-60	-	-	-	-	-	-
1961	6,874	476	69.29	476	42	8.7
1962	7,125	500	70.12	500	44	8.7
1963	3,314	869	262.23	869	20	2.3
1964	1,874	200	106.71	200	11	5.6
1965	5,600	328	58.51	328	33	10.1
1966	8,254	484	58.66	484	49	10.1
1967	18,398	1,035	56.24	1,035	175	16.9
1968	21,171	1,111	52.46	1,111	130	11.7
1969	24,313	1,934	79.53	1,934	146	7.5

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
	<u>totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	ton	\$'000	\$/ton	\$'000	\$'000	<u>imposable</u>
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	
<u>Guyana - Guyane</u>						
1959	101,619	7,999	78.71	7,999	644	8.1
1960	105,890	8,276	78.16	8,276	670	8.1
1961	131,913	9,384	71.14	9,384	833	8.9
1962	95,061	7,302	76.82	7,302	605	8.3
1963	100,818	16,057	159.26	16,057	632	3.9
1964	126,175	17,845	141.43	17,845	800	4.5
1965	101,068	6,214	61.48	6,214	639	10.3
1966	113,268	6,416	56.64	6,416	727	11.3
1967	98,026	4,988	50.89	4,988	631	12.7
1968	69,066	3,349	48.50	3,349	437	13.0
1969	41,640	2,964	71.19	2,964	263	8.9
<u>Barbados - Barbade</u>						
1959	31,161	2,309	74.11	2,309	191	8.3
1960	11,760	879	74.75	879	72	8.2
1961	44,366	3,444	77.62	3,444	270	7.8
1962	22,554	1,649	73.11	1,649	137	8.3
1963	8,235	1,920	233.14	1,920	49	2.6
1964	11,145	1,875	168.27	1,875	67	3.6
1965	20,357	1,435	70.47	1,435	126	8.8
1966	12,292	797	64.86	797	75	9.5
1967	29,323	1,883	64.21	1,883	180	9.6
1968	-	-	-	-	-	-
1969	-	-	-	-	-	-
<u>Jamaica - Jamaïque</u>						
1959	126,253	9,778	77.45	9,778	774	7.9
1960	116,659	9,234	79.16	9,234	717	7.8
1961	117,193	8,838	75.41	8,838	715	8.1
1962	116,218	8,384	72.14	8,384	711	8.5
1963	89,676	15,877	177.05	15,877	546	3.4
1964	102,065	15,467	151.54	15,467	626	4.0
1965	88,887	5,574	62.71	5,574	534	9.6
1966	108,343	6,227	57.47	6,227	656	10.5
1967	49,865	2,859	57.33	2,859	308	10.8
1968	70,831	3,765	53.15	3,765	425	11.3
1969	23,938	2,016	84.22	2,016	146	7.3

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations</u> <u>totales</u>	<u>\$'000</u>	<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	ton	milliers de \$	\$/ton	\$'000	\$'000	
	tonne		\$/tonne	milliers de \$	milliers de \$	

Leeward and Windward Islands - Iles sous-le Vent et du Vent

1959	19,610	1,517	77.36	1,517	120	7.9
1960	13,801	1,025	74.27	1,025	85	8.3
1961	11,757	842	71.65	842	73	8.6
1962	16,834	1,223	72.67	1,223	103	8.8
1963	11,469	1,671	145.74	1,671	70	4.2
1964	5,577	625	112.14	625	34	5.5
1965	3,172	216	68.19	216	19	8.7
1966	8,212	555	67.56	555	51	9.2
1967	-	-	-	-	-	-
1968	-	-	-	-	-	-
1969	-	-	-	-	-	-

Trinidad and Tobago - Trinidad et Tobago

1959	27,570	2,188	79.37	2,188	170	7.8
1960	51,980	3,963	76.25	3,963	320	8.1
1961	46,663	3,526	75.57	3,526	283	8.0
1962	45,320	3,227	71.21	3,227	277	8.6
1963	30,854	5,416	175.55	5,416	185	3.4
1964	47,775	7,482	156.62	7,482	284	3.8
1965	55,772	3,384	60.68	3,384	336	9.9
1966	33,226	1,880	56.57	1,880	202	10.7
1967	18,924	970	51.24	970	114	11.7
1968	31,289	1,777	56.80	1,777	188	10.6
1969	15,720	1,338	85.10	1,338	93	7.0

Total Commonwealth Caribbean
Total, Antilles du Commonwealth

1959	306,213	23,791	77.69	23,791	1,900	8.0
1960	300,090	23,378	77.90	23,378	1,864	8.0
1961	358,766	26,511	73.90	26,511	2,216	8.4
1962	303,112	22,285	73.52	22,285	1,876	8.4
1963	244,366	41,811	171.10	41,811	1,503	3.6
1964	294,611	43,496	147.64	43,496	1,822	4.2
1965	274,856	17,151	62.40	17,151	1,686	9.8
1966	283,595	16,358	57.68	16,358	1,759	10.8
1967	214,536	11,734	54.70	11,734	1,407	12.0
1968	192,357	10,002	52.00	10,002	1,180	11.8
1969	110,656	8,586	77.59	8,586	681	7.9

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Other B.P. countries

Autres pays P.B.Mauritius Dependencies - Maurice (île) et dépendances

1959	97,306	7,580	77.90	7,580	616	8.1
1960	28,997	2,100	72.41	2,100	183	8.7
1961	88,225	5,600	63.48	5,600	553	9.9
1962	74,588	5,215	69.92	5,215	470	9.0
1963	54,980	8,606	156.53	8,606	343	4.0
1964	138,810	13,008	93.71	13,008	889	6.8
1965	104,547	6,389	61.11	6,389	683	10.7
1966	95,067	5,127	53.93	5,127	622	12.1
1967	54,903	2,880	52.46	2,880	347	12.1
1968	139,523	7,135	51.14	7,135	883	12.4
1969	223,873	14,128	63.11	14,128	1,417	10.0

South Africa - Afrique du Sud

1959	5,600	461	82.40	461	34	7.4
1960	22,993	1,828	79.49	1,828	145	7.9
1961	40,226	2,710	67.37	2,710	251	9.3
1962	55,325	3,885	70.23	3,885	353	9.1
1963	87,258	15,969	183.01	15,969	544	3.4
1964	95,615	11,946	124.94	11,946	602	5.0
1965	121,835	8,012	65.76	8,012	786	9.8
1966	145,730	7,003	48.06	7,003	932	13.3
1967	298,298	15,097	50.61	15,097	1,917	12.7
1968	322,579	16,440	50.96	16,440	2,046	12.4
1969	238,971	17,629	73.77	17,629	1,511	8.6

India - Inde

1959	-	-	-	-	-	-
1960	-	-	-	-	-	-
1961	-	-	-	-	-	-
1962	118,819	8,069	67.91	8,069	800	9.9
1963	104,797	16,317	155.70	16,317	725	4.4
1964	-	-	-	-	-	-
1965	58,218	3,493	60.00	3,493	368	10.5
1966	56,239	2,938	52.23	2,938	356	12.1
1967	66,054	3,278	49.62	3,278	418	12.8
1968	13,009	602	46.26	602	82	13.7
1969	-	-	-	-	-	-

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Importations totales</u>		<u>Valeur à l'unité</u>	<u>Valeur imposable</u>	<u>Droits perçus</u>	<u>Droits en % de la valeur imposable</u>
<u>Année</u>	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Uganda - Ouganda

1959-68	-	-	-	-	-	-
1969	12,855	879	68.41	879	92	10.4

Commonwealth Africa n.e.s. - Afrique du Commonwealth n.d.a.

1959-68	-	-	-	-	-	-
1969	34,205	2,778	81.22	2,778	216	7.8

Australia - Australie

1959	193,840	14,004	72.25	14,004	1,234	8.8
1960	183,742	12,723	69.24	12,723	1,158	9.1
1961	181,842	12,164	66.89	12,164	1,151	9.5
1962	187,363	11,798	62.97	11,798	1,176	10.0
1963	145,968	17,570	120.37	17,570	924	5.3
1964	129,315	18,153	140.38	18,153	818	4.5
1965	147,484	8,568	58.09	8,568	935	10.9
1966	116,192	5,696	49.03	5,696	735	12.9
1967	173,200	7,347	42.42	7,347	1,096	14.9
1968	159,610	6,922	43.37	6,922	1,010	14.6
1969	241,347	14,113	58.48	14,113	1,527	10.8

Fiji - Fidji

1959	61,514	4,762	77.41	4,762	374	7.8
1960	79,867	6,473	81.05	6,473	482	7.4
1961	35,051	2,505	71.46	2,505	219	8.7
1962	48,229	3,129	64.87	3,129	295	9.4
1963	77,149	8,570	111.08	8,570	479	5.6
1964	48,073	7,388	153.68	7,388	304	4.1
1965	81,716	4,783	58.53	4,783	517	10.8
1966	46,487	2,705	58.18	2,705	294	10.9
1967	84,469	3,726	44.11	3,726	535	14.3
1968	62,443	3,009	48.19	3,009	395	13.1
1969	83,203	5,590	67.19	5,590	523	9.4

Rhodesia - Rhodésie

1959-62	-	-	-	-	-	-
1963	21,126	4,565	216.08	4,565	134	2.9
1964	23,481	2,295	97.75	2,295	149	6.5
1965	32,066	1,808	56.38	1,808	203	11.2
1966	16,447	807	49.08	807	104	12.9
1967-69	-	-	-	-	-	-

Table 7 (Cont'd)
Tableau 7 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations	Valeur à		Valeur	Droits	Droits en %
<u>Année</u>	<u>totales</u>	<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>	<u>imposable</u>
	ton	\$'000	\$/ton	\$'000	\$'000	
	tonne	milliers de \$	\$/tonne	milliers de \$	milliers de \$	

Total other B.P. countries

Total, autres pays P.B.

1959	358,260	26,808	74.83	26,808	2,258	8.4
1960	315,599	23,123	73.27	23,123	1,969	8.5
1961	345,344	22,979	66.54	22,979	2,173	9.5
1962	484,324	32,097	66.27	32,097	3,094	9.6
1963	491,278	71,597	145.74	71,597	3,149	4.4
1964	435,294	52,790	121.27	52,790	2,763	5.2
1965	545,866	33,053	60.55	33,053	3,492	10.6
1966	476,162	24,276	50.98	24,276	3,044	12.5
1967	676,924	32,327	47.76	32,327	4,313	13.3
1968	697,164	34,108	48.92	34,108	4,416	12.9
1969	846,036	56,166	66.39	56,166	5,359	9.5

Total British Preferential

Total, préférence britannique

1959	664,473	50,599	76.15	50,599	4,158	8.2
1960	615,689	46,501	75.53	46,501	3,833	8.2
1961	704,110	49,490	70.29	49,490	4,389	8.9
1962	787,436	54,382	69.06	54,382	4,970	9.1
1963	735,644	113,408	154.16	113,408	4,652	4.1
1964	729,905	96,286	131.92	96,286	4,585	4.8
1965	820,722	50,204	61.17	50,204	5,178	10.3
1966	759,757	40,634	53.48	40,634	4,803	11.8
1967	891,460	44,061	49.43	44,061	5,720	13.0
1968	889,521	44,110	49.59	44,110	5,596	12.7
1969	956,692	64,752	67.68	64,752	6,040	9.3

Other Countries

Autres PaysCuba - Cuba

1959	96,546	6,211	64.33	6,211	2,392	38.5
1960	64,231	4,177	65.03	4,177	1,498	35.9
1961	39,502	2,463	62.34	2,463	1,071	43.5
1962	17,282	910	52.68	910	477	52.4
1963	74,157	11,631	156.85	11,631	2,060	17.7
1964	280	28	98.24	28	8	30.0
1965	72,287	3,209	44.40	3,209	1,972	61.4
1966	72,058	2,970	41.22	2,970	1,913	64.4
1967	77,090	3,009	39.03	3,009	1,836	61.0
1968	52,293	2,035	38.91	2,035	1,106	54.3
1969	79,379	5,046	63.57	5,046	2,119	42.0

Table 7 (Concl'd)
Tableau 7 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	Importations totales	\$'000	Valeur à l'unité \$/ton	Valeur imposable \$/000	Droits perçus \$/000	Droits en % de la valeur imposable
	ton	milliers de \$		milliers de \$	milliers de \$	

Other countries - Autres pays

1959	-	-	-	-	-	-
1960	-	-	-	-	-	-
1961	11,574	776	67.03	776	64	8.2
1962	25,957	1,633	62.93	1,633	361	22.1
1963	11,510	1,697	147.44	1,697	174	10.3
1964	33,717	5,556	164.78	5,556	738	13.3
1965	23,012	1,721	74.79	1,721	168	9.8
1966	18,825	1,269	67.41	1,269	277	21.8
1967	12,205	505	41.37	505	328	65.0
1968	5,880	267	45.38	267	160	59.9
1969	7,165	489	68.20	489	195	39.8

- (a) To 1965 inclusive s.c. 101-15 "Raw sugar for refining"
 To 1965 inclusive s.c. 101-19 "Raw sugar n.e.s."
 From 1966 to 1969 s.c. 101-19 "Raw sugar"

- a) Jusqu'à 1965 inc. c.s. 101-15 "Sucre brut pour raffinage"
 Jusqu'à 1965 inc. c.s. 101-19 "Sucre brut n.d.a."
 A compter de 1966 à 1969, c.s. 101-19 "Sucre brut"

Table 8
Tableau 8Imports: Refined sugar, cane and beet s.c. 101-39^(a)Importations: Sucre raffiné de canne et de betterave c.s. 101-39^{a)}Tariff Item)
)13400-1
Numéro tarifaire

<u>Year</u>	<u>Total imports</u>	<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations	Valeur à	Valeur	Droits	Droits en %
<u>Année</u>	<u>totales</u>	<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
	'000 lb \$'000	\$/cwt	\$'000	\$'000	<u>imposable</u>
	milliers de liv.	\$/qtl	milliers de \$	milliers de \$	
<u>Total - Total</u>					
1965	1,686	132	7.80	132	16.9
1966	3,015	232	7.70	232	14.6
1967	6,031	500	8.29	500	13.2
1968	6,424	530	8.25	530	13.7
1969	810	82	10.19	82	17.8
<u>United Kingdom - Royaume-Uni</u>					
1965	1,200	109	9.09	109	12.0
1966	2,886	215	7.44	215	14.6
1967	6,018	497	8.26	497	13.2
1968	6,128	506	8.26	506	13.2
1969	139	16	11.38	16	10.0
<u>United States - Etats Unis</u>					
1965	45	4	9.10	4	20.5
1966	129	17	13.41	17	13.8
1967	11	2	23.33	2	7.8
1968	142	18	12.89	18	14.5
1969	250	35	13.93	35	15.1
<u>Other countries - Autres pays</u>					
1965	441	18	4.18	18	45.2
1966	-	-	-	-	-
1967	3	*	11.73	*	16.4
1968	154	5	3.36	5	56.2
1969	421	32	7.57	32	24.7

(a) Prior to 1965, included in s.c. 101-49 "Refined sugar"

a) Jusqu'en 1965, compris dans c.s. 101-49 "Sucre raffiné"

Table 9
Tableau 9

Imports: Refined sugars n.e.s., s.c. 101-48^(a)
 Importations: Sucre raffiné n.d.a., c.s. 101-48 a)

Tariff Items 13505-1, 13800-1, 71100-1 and 92943-1
 Numéro tarifaires et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
<u>Année</u>	<u>totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
	'000 lb \$'000	\$'000	\$/cwt	\$'000	\$'000	<u>imposable</u>
	milliers de liv.	milliers de \$	\$/qtl	milliers de \$	milliers de \$	
<u>Total - Total</u>						
1965	13,984	1,221	8.73	1,160	196	16.9
1966	17,992	1,607	8.93	1,551	264	17.1
<u>United Kingdom - Royaume-Uni</u>						
1965	1,220	84	6.87	84	9	11.2
1966	528	36	6.81	36	4	11.1
<u>South Africa - Afrique du Sud</u>						
1965	88	5	5.55	5	1	14.1
1966	44	2	5.52	2	*	13.5
<u>United States - Etats-Unis</u>						
1965	12,366	1,080	8.73	1,020	176	17.3
1966	17,224	1,533	8.90	1,477	255	17.3
<u>Other countries - Autres pays</u>						
1965	309	52	16.85	52	9	17.7
1966	195	35	18.00	35	6	15.9

(a) Beginning in 1967 included in s.c. 101-43 "Glucose, Dextrose and Fructose" and s.c. 101-48 "Refined sugar n.e.s."

a) Depuis 1967 compris dans c.s. 101-43 "Glucose, dextrose et fructose" et c.s. 101-48 "Sucre raffiné n.d.a."

Table 10
Tableau 10

Imports: Refined sugars n.e.s., s.c. 101-48^(a)
 Importations: Sucre raffiné n.d.a., c.s. 101-48^{a)}

Tariff Items) and
) 13505-1, 13800-1, 71100-1 92943-1
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations	Valeur à		Valeur	Droits	
<u>Année</u>	<u>totales</u>	<u>l'unité</u>		<u>imposable</u>	<u>perçus</u>	<u>Droits en % de la valeur imposable</u>
	'000 lb \$'000	\$/cwt		\$'000	\$'000	
	milliers de liv.	milliers de \$	\$/qtl	milliers de \$	milliers de \$	
<u>Total - Total</u>						
1967	268	43	16.06	41	8	19.3
1968	352	54	15.45	54	10	18.6
1969	599	98	16.44	97	15	15.1
<u>United Kingdom - Royaume-Uni</u>						
1967	8	1	10.39	1	*	7.9
1968	52	4	6.80	4	*	11.3
1969	19	2	12.98	1	*	10.5
<u>United States - Etats-Unis</u>						
1967	20	4	21.86	3	*	16.5
1968	26	6	22.28	6	1	19.3
1969	34	5	13.55	5	1	14.6
<u>Other countries - Autres pays</u>						
1967	240	38	15.78	38	7	19.8
1968	274	45	16.43	45	9	19.1
1969	547	92	16.73	92	14	15.2

(a) Prior to 1967, comparable figures not available

a) Antérieurement à 1967, aucun chiffre comparatif disponible

Table 11
Tableau 11

Imports: Glucose, dextrose and fructose s.c. 101-43(a)
 Importations: Glucose, dextrose et fructose c.s. 101-43a)

Tariff Items) and
) 13900-1 92943-1
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à l'unité	Valeur imposable	Droits perçus	Droits en % de la valeur imposable
<u>Année</u>	'000 lb \$'000	'000 \$'000	\$/cwt	\$'000	\$'000	
	milliers de liv.	milliers de \$	\$/qtl	milliers de \$	milliers de \$	
<u>Total - Total</u>						
1967	19,091	1,698	8.90	1,676	278	16.6
1968	20,949	1,846	8.81	1,797	301	16.8
1969	27,857	2,242	8.05	2,183	407	18.6
<u>United Kingdom - Royaume-Uni</u>						
1967	631	43	6.89	43	5	11.0
1968	801	50	6.19	50	6	12.2
1969	227	13	5.72	13	2	12.9
<u>United States - Etats-Unis</u>						
1967	18,373	1,643	8.94	1,622	272	16.8
1968	20,062	1,787	8.91	1,738	295	16.9
1969	27,563	2,218	8.05	2,159	404	18.7

(a) Prior to 1967 included in various statistical classes

a) Jusqu'en 1967 compris dans diverses classes statistiques

Table 12
Tableau 12

Imports: Molasses, cane or beet, s.c. 101-70(a)

Importations: Mélasse de canne ou betterave, c.s. 101-70a)

Tariff Items) and
) 13600-1, 13650-1 13700-1
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
	totales		l'unité	imposable	perçus	de la valeur
<u>Année</u>	'000 gal.	\$'000	\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers	milliers		milliers	milliers	
	de gal.	de \$		de \$	de \$	

Total - Total

1959	14,339	2,049	.14	530	36	6.9
1960	17,540	1,580	.09	680	60	8.8
1961	20,968	2,610	.12	788	55	7.0
1962	15,715	2,392	.15	1,190	68	5.7
1963	20,746	5,180	.25	1,188	45	3.8
1964	23,801	5,332	.22	1,554	71	4.5
1965	25,657	4,112	.16	1,355	81	6.0
1966	23,397	4,348	.19	1,404	69	4.9
1967	34,100	7,167	.21	2,575	125	4.8
1968	28,293	5,672	.20	2,036	113	5.6
1969	23,215	4,360	.19	1,310	74	5.6

Commonwealth Caribbean
Antilles du Commonwealth

Guyana - Guyane

1959	4,721	524	.11	-	-	-
1960	6,351	487	.08	-	-	-
1961	4,786	569	.12	-	-	-
1962	3,204	440	.14	-	-	-
1963	3,734	980	.26	-	-	-
1964	2,515	433	.17	-	-	-
1965	2,581	205	.08	-	-	-
1966	5,179	663	.13	-	-	-
1967	7,847	1,454	.19	-	-	-
1968	7,091	1,147	.16	-	-	-
1969	4,296	710	.17	-	-	-

Table 12 (Cont'd)
Tableau 12 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
<u>Année</u>	Importations totales		Valeur à l'unité	Valeur imposable	Droits perçus	Droits en % de la valeur imposable
	'000 gal. \$'000	\$'000	\$/gal.	\$'000	\$'000	
	milliers de gal.	milliers de \$		milliers de \$	milliers de \$	

Barbados - Barbade

1959	2,916	626	.21	-	-	-
1960	-	-	-	-	-	-
1961	3,427	358	.10	-	-	-
1962	*	*	.25	-	-	-
1963	1,574	499	.32	-	-	-
1964	3,488	1,695	.49	-	-	-
1965	2,025	1,335	.66	-	-	-
1966	1,599	1,056	.66	*	*	.004
1967	1,182	849	.72	-	-	-
1968	1,644	1,100	.67	-	-	-
1969	2,511	822	.33	-	-	-

Leeward and Windward Islands - Îles sous-le-Vent et du Vent

1959	120	13	.11	-	-	-
1960	591	47	.08	24	3	12.2
1961	-	-	-	-	-	-
1962	600	96	.16	-	-	-
1963	875	201	.23	-	-	-
1964	-	-	-	-	-	-
1965	840	81	.10	-	-	-
1966	280	41	.15	-	-	-
1967	609	116	.19	-	-	-
1968	-	-	-	-	-	-
1969	-	-	-	-	-	-

Trinidad and Tobago - Trinidad et Tobago

1959	2,952	355	.12	-	-	-
1960	4,910	390	.08	-	-	-
1961	5,747	759	.13	-	-	-
1962	3,576	491	.14	-	-	-
1963	8,081	1,903	.24	-	-	-
1964	6,535	1,086	.17	-	-	-
1965	7,264	738	.10	-	-	-
1966	9,445	1,184	.13	-	-	-
1967	7,509	1,445	.19	-	-	-
1968	5,763	930	.16	-	-	-
1969	6,336	1,086	.17	-	-	-

Table 12 (Cont'd)
Tableau 12 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
<u>Année</u>	<u>Totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
	'000 gal.	\$'000	\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers	milliers		milliers	milliers	
	de gal.	de \$		de \$	de \$	

Total Commonwealth Caribbean - Total, Antilles du Commonwealth

1959	10,709	1,519	.14	-	-	-
1960	11,853	924	.08	24	3	12.2
1961	13,959	1,686	.12	-	-	-
1962	7,380	1,027	.14	-	-	-
1963	14,264	3,583	.25	-	-	-
1964	12,538	3,214	.26	-	-	-
1965	12,709	2,359	.19	-	-	-
1966	16,503	2,943	.18	*	*	.004
1967	17,148	3,864	.23	-	-	-
1968	14,499	3,177	.22	-	-	-
1969	13,143	2,617	.20	-	-	-

Other B.P. countries

Autres pays P.B.Mauritius and Dependencies - Maurice (île) et dépendances

1959-63	-	-	-	-	-	-
1964	1,921	385	.20	-	-	-
1965	1,225	67	.05	-	-	-
1966	-	-	-	-	-	-
1967	-	-	-	-	-	-
1968	1,939	234	.12	-	-	-
1969	-	-	-	-	-	-

South Africa - Afrique du Sud

1959-60	-	-	-	-	-	-
1961	1,470	136	.09	-	-	-
1962	1,516	175	.12	-	-	-
1963	1,941	409	.21	-	-	-
1964	2,377	178	.07	-	-	-
1965	-	-	-	-	-	-
1966	-	-	-	-	-	-
1967	4,603	712	.15	-	-	-
1968	1,159	156	.13	-	-	-
1969	-	-	-	-	-	-

Table 12 (Cont'd)
Tableau 12 (Suite)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations	Valeur à		Valeur	Droits	Droits en %
	<u>totales</u>	<u>l'unité</u>		<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	'000 gal.	\$'000 \$/gal.		\$'000	\$'000	<u>imposable</u>
	milliers	milliers		milliers	milliers	
	de gal.	de \$		de \$	de \$	

Other countries - Autres pays

1959-64	-	-	-	-	-	-
1965	3,750	331	.09	-	-	-
1966	-	-	-	-	-	-
1967	-	-	-	-	-	-
1968	530	67	.13	-	-	-
1969	3,192	432	.14	-	-	-

Total other B.P. countries - Total, autres pays P.B.

1959-60	-	-	-	-	-	-
1961	1,470	136	.09	-	-	-
1962	1,516	175	.12	-	-	-
1963	1,941	409	.21	-	-	-
1964	4,299	563	.13	-	-	-
1965	4,976	397	.08	-	-	-
1966	-	-	-	-	-	-
1967	4,603	712	.15	-	-	-
1968	3,627	457	.13	-	-	-
1969	3,192	432	.14	-	-	-

Total British Preferential - Total, préférence britannique

1959	10,709	1,519	.14	-	-	-
1960	11,853	924	.08	24	3	12.2
1961	15,430	1,822	.12	-	-	-
1962	8,896	1,202	.14	-	-	-
1963	16,205	3,992	.25	-	-	-
1964	16,837	3,777	.22	-	-	-
1965	17,685	2,757	.16	-	-	-
1966	16,503	2,943	.18	*	*	.004
1967	21,751	4,576	.21	-	-	-
1968	18,125	3,634	.20	-	-	-
1969	16,335	3,049	.19	-	-	-

Most Favoured Nation

Nation la plus favoriséeCuba - Cuba

1959	1,088	164	.15	164	11	6.6
1960	1,747	192	.11	192	17	9.1
1961	1,532	170	.11	170	15	9.0
1962-69	-	-	-	-	-	-

Table 12 (Cont'd)
Tableau 12 (Suite)

<u>Year</u>	<u>Total imports</u>	<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Importations</u>	<u>Valeur à</u>	<u>Valeur</u>	<u>Droits</u>	<u>Droits en %</u>
	<u>totales</u>	<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	'000 gal. \$'000	\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers de gal.	milliers de \$	milliers de \$	milliers de \$	

Dominican Republic - République Dominicaine

1959	423	54	.13	54	4	7.8
1960	1,115	108	.10	108	11	10.3
1961	-	-	-	-	-	-
1962	660	159	.24	159	7	4.1
1963	1,716	474	.28	474	17	3.6
1964	1,545	626	.41	626	15	2.5
1965	2,349	628	.27	628	23	3.7
1966	776	393	.51	393	8	2.0
1967	903	476	.53	476	9	1.9
1968	846	464	.55	464	8	1.8
1969	706	281	.40	281	7	2.5

Puerto Rico - Porto-Rico

1959	-	-	-	-	-	-
1960	529	47	.09	47	5	11.2
1961	1,986	237	.12	237	20	8.4
1962	4,273	684	.16	684	43	6.2
1963	1,605	392	.24	392	16	4.1
1964	4,013	570	.14	570	40	7.0
1965	1,470	130	.09	130	15	11.3
1966	2,528	306	.12	306	25	8.2
1967	4,874	891	.18	891	49	5.5
1968	2,036	339	.17	339	20	6.0
1969	1,047	150	.14	150	10	7.0

Mexico - Mexique

1959-61	-	-	-	-	-	-
1962	369	58	.16	58	4	6.4
1963	-	-	-	-	-	-
1964	-	-	-	-	-	-
1965	1,560	146	.09	146	16	10.7
1966	1,730	278	.16	278	17	6.2
1967	2,893	456	.16	456	29	6.3
1968	4,546	670	.15	670	45	6.8
1969	3,452	463	.13	463	35	7.5

				Table 12 Tableau 12	(Concl'd) (Fin)
	<u>Total</u>	<u>Unit</u>	<u>Dutiable</u>	<u>Duty</u>	<u>Duty as %</u>
<u>Year</u>	<u>imports</u>	<u>value</u>	<u>value</u>	<u>collected</u>	<u>of dutiable</u>
	Importations	Valeur à	Valeur	Droits	Droits en %
	<u>totales</u>	<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	'000 gal. \$'000	\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers	milliers	milliers	milliers	
	de gal. de \$		de \$	de \$	

United States - Etats-Unis

1959	2,119	311	.15	311	21	6.8
1960	2,047	285	.14	285	20	7.2
1961	2,021	381	.19	381	20	5.3
1962	1,518	290	.19	290	15	5.3
1963	1,221	322	.26	322	12	3.8
1964	1,407	359	.26	359	15	4.2
1965	2,593	451	.17	451	27	6.1
1966	1,861	427	.23	427	19	4.5
1967	2,139	542	.25	541	23	4.2
1968	2,740	565	.21	563	39	6.9
1969	1,676	417	.25	417	22	5.3

Other countries - Autres pays

1959	-	-	-	-	-	-
1960	249	24	.10	24	2	10.4
1961-66	-	-	-	-	-	-
1967	1,540	225	.15	210	15	7.3
1968-69	-	-	-	-	-	-

Total Most Favoured Nation - Total nation la plus favorisée

1959	3,630	530	.15	530	36	6.9
1960	5,687	656	.12	656	57	8.7
1961	5,539	788	.14	788	55	7.0
1962	6,819	1,190	.17	1,190	68	5.7
1963	4,542	1,188	.26	1,188	45	3.8
1964	6,964	1,554	.22	1,554	71	4.5
1965	7,972	1,355	.17	1,355	81	6.0
1966	6,894	1,404	.20	1,404	69	4.9
1967	12,350	2,590	.21	2,575	125	4.8
1968	10,168	2,038	.20	2,036	113	5.6
1969	6,881	1,311	.19	1,310	74	5.6

(a) Prior to 1966, includes s.c. 101-68 "Molasses entered under tariff item 13700-1"

a) Jusqu'à 1966, comprend c.s. 101-68 "Mélasses importées d'après le numéro tarifaire 13700-1"

Table 13
Tableau 13

Imports: Syrups n.e.s., s.c. 101-91(a)
Importations: Sirops n.d.a., c.s. 101-91a)

Tariff Items) and
)13505-1, 13800-1, 13900-1 14000-1
 Numéros tarifaires) et

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	Importations		Valeur à	Valeur	Droits	Droits en %
	<u>totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	'000 gal.	\$'000	\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers	milliers		milliers	milliers	
	de gal.	de \$		de \$	de \$	

Total - Total

1963	1,002	744	.74	744	161	21.7
1964	572	471	.82	471	103	21.9
1965	251	236	.94	236	44	18.6
1966	94	122	1.30	122	15	12.1
1967	286	316	1.10	315	47	15.0
1968	202	342	1.69	342	43	12.5
1969	687	570	.83	523	124	23.8

Commonwealth Countries - Pays du Commonwealth

1963	26	62	2.39	62	4	6.9
1964	33	66	2.00	66	4	5.5
1965	25	56	2.24	56	2	4.4
1966	18	33	1.86	33	1	4.1
1967	41	92	2.22	92	4	3.9
1968	41	78	1.88	78	3	4.5
1969	22	49	2.24	49	2	3.5

Most Favoured Nation - Nation la plus favorisée

1963	976	682	.70	682	157	23.0
1964	539	405	.75	405	99	24.5
1965	226	180	.80	180	41	23.0
1966	76	89	1.17	89	13	15.0
1967	245	224	.92	223	44	19.5
1968	160	264	1.65	264	39	14.9
1969	665	521	.78	474	123	25.9

Table 13 (Concl'd)
Tableau 13 (Fin)

<u>Year</u>	<u>Total imports</u>		<u>Unit value</u>	<u>Dutiable value</u>	<u>Duty collected</u>	<u>Duty as % of dutiable value</u>
	<u>Importations</u>		<u>Valeur à</u>	<u>Valeur</u>	<u>Droits</u>	<u>Droits en %</u>
	<u>totales</u>		<u>l'unité</u>	<u>imposable</u>	<u>perçus</u>	<u>de la valeur</u>
<u>Année</u>	'000 gal. \$'000		\$/gal.	\$'000	\$'000	<u>imposable</u>
	milliers	milliers		milliers	milliers	
	de gal.	de \$		de \$	de \$	

United Kingdom - Royaume-Uni

1963	26	62	2.39	62	4	6.9
1964	33	66	2.00	66	4	5.5
1965	25	56	2.24	56	2	4.4
1966	18	33	1.86	33	1	4.1
1967	41	92	2.22	92	4	3.9
1968	41	78	1.88	78	3	4.5
1969	22	49	2.24	49	2	3.5

United States - Etats-Unis

1963	972	674	.69	674	156	23.1
1964	535	399	.75	399	99	24.8
1965	222	174	.79	174	41	23.4
1966	74	86	1.17	86	13	15.2
1967	242	220	.91	219	43	19.9
1968	158	258	1.64	258	39	15.1
1969	663	516	.78	469	122	26.1

- (a) Prior to 1963 was included in various statistical classes; beginning in 1967 includes part of s.c. 101-10 "Maple sugar and maple syrup"
- a) Jusqu'en 1963, compris dans diverses classes statistiques; à compter de 1967, comprend une partie de c.s. 101-10 "Sucre et sirop d'érable"

Exports: Sugar n.e.s., s.c. 101-50^(a)
 Exportations: Sucre n.d.a., c.s. 101-50^{a)}

Table 14
 Tableau 14

Country	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Pays
				thousand pounds	thousand pounds	milliers de livres	milliers de livres	milliers de livres	milliers de livres	milliers de livres	milliers de livres	
United Kingdom	-	-	2,269	6,136	7,862	4,029	75	66	2,029	982	66	Royaume-Uni
Germany, West	-	-	-	-	11,200	-	-	-	-	2	-	Allemagne, R.F.
Spain	-	-	-	-	21,854	-	-	-	-	-	-	Espagne
Iraq	-	-	-	-	23,520	-	-	-	-	-	-	Irak
Tunisia	-	-	-	-	22,181	-	-	-	-	-	-	Tunisie
Japan	-	-	45	432	1,621	3,137	4,578	3,415	2,122	3,431	132	Japon
Viet Nam	-	-	-	-	-	-	-	-	880	3,141	2,151	Viet-Nam
United States	225	268	75	191	1,477	811	1,069	426	557	407	640	Océanie des Etats-Unis
Commonwealth Caribbean	-	-	63	2,190	6,234	7,066	7,618	8,427	8,351	7,794	9,226	Les Antilles du Commonwealth
Bahamas	-	118	1,437	2,196	3,224	3,256	2,950	2,669	2,542	2,819	2,300	Iles Bahamas
Bermuda	-	-	-	3	128	74	69	85	156	46	-	Bermudes
British Honduras	-	-	-	285	199	2,077	187	786	1,439	2,179	1,183	Honduras britannique
Barbados	-	-	2	1,407	3,427	3,353	3,714	4,569	5,046	5,861	5,363	Barbade
Leeward & Windward Is.	1	-	-	5	5	5	-	15	14	10	-	Iles sous-le-Vent et du Vent
Trinidad et Tobago	-	-	-	-	*	-	-	-	-	-	688	Trinidad et Tobago
Guyana	-	-	-	-	-	-	-	-	-	-	-	Guyane
Jamaica	-	-	21	15	1	-	-	-	-	-	-	Jamaïque
Sub-Total	-	-	-	-	-	-	-	-	-	-	-	Total partiel,
Commonwealth Caribbean	1	118	1,523	6,101	13,218	15,831	14,538	16,551	17,548	18,709	18,760	Antilles du Commonwealth
Mexico	-	-	9	-	-	-	-	10	16	220	2,079	Mexique
Netherlands Antilles	-	-	1	2,488	3,653	6,453	15,911	12,212	12,406	13,607	6,861	Antilles néerlandaises
United States	1,200	7,222	11,994	7,069	671	156	74	8	5,696	6,344	712	Etats-Unis
Others	16	28	154	492	640	557	845	883	1,383	1,224	898	Autres pays
Total	1,442	7,635	16,070	22,910	107,897	30,974	37,090	33,571	42,637	48,067	32,299	Total

(a) Prior to 1961 was s.c. 720

a) Jusqu'en 1961, constituaient c.s. 720

Table 14. (Concl'd)
Tableau 14 (Fin)

Exports: Sugar n.e.s., s.c. 101-50^(a)
Exportations: Sucre n.d.a., c.s. 101-50^{a)}

Country	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	Pays
				thousand dollars - milliers de dollars								
United Kingdom	-	-	89	235	391	441	14	12	124	68	12	Royaume-Uni
Germany West	-	-	-	-	1,068	-	-	-	-	*	-	Allemagne, R.F.
Spain	-	-	-	-	1,716	-	-	-	-	-	-	Espagne
Iraq	-	-	-	-	1,710	-	-	-	-	-	-	Irak
Tunisia	-	-	-	-	1,892	-	-	-	-	-	-	Tunisie
Japan	-	-	2	57	217	437	646	488	255	395	16	Japon
Viet Nam	-	-	-	-	-	-	-	-	46	164	117	Viet-Nam
United States Oceania	14	17	4	11	156	98	60	28	37	28	46	Océanie des Etats-Unis
Commonwealth Caribbean												Les Antilles du Commonwealth
Bahamas	-	-	3	125	655	669	370	372	367	350	545	Iles Bahamas
Bermuda	-	7	83	118	303	299	150	125	120	137	138	Bermudes
British Honduras	-	-	-	*	15	9	4	4	6	3	-	Honduras britannique
Barbados	-	-	*	17	19	129	9	30	46	85	53	Barbade
Leeward & Windward Is.	*	-	-	77	292	321	197	178	193	230	274	Iles sous-le-Vent et du Vent
Trinidad & Tobago	-	-	-	*	*	*	-	2	2	1	37	Trinidad et Tobago
Guyana	-	-	-	-	*	-	-	-	-	-	-	Guyane
Jamaica	-	-	1	1	*	-	-	-	-	-	-	Jamaïque
Sub-total	-	-	1	1	-	-	-	-	-	-	-	Total partiel,
Commonwealth Caribbean	*	7	87	338	1,284	1,427	727	711	734	806	1,047	Antilles du Commonwealth
Mexico	-	-	1	-	-	-	-	1	2	36	359	Mexique
Netherlands Antilles	-	-	*	135	315	544	809	583	595	704	440	Antilles néerlandaises
United States	67	409	657	377	60	12	6	*	624	607	49	Etats-Unis
Others	1	1	10	29	65	52	50	45	65	72	62	Autres pays
Total	82	434	850	1,182	8,874	3,018	2,312	1,868	2,482	2,880	2,148	Total

(a) Prior to 1961 was s.c. 720

a) Jusqu'en 1961, constituait c.s. 720

Table 15 (Concl'd)
Tableau 15 (Fin)

Year Année	Exports of Domestic Goods Exportations des articles domestiques				Re-exports Réexportations				Total Exports Exportations totales			
	Quantity Quantité	Value Valeur	Unit Value Valeur à l'unité		Quantity Quantité	Value Valeur	Unit value Valeur à l'unité		Quantity Quantité	Value Valeur	Unit Value Valeur à l'unité	
	'000 gal. milliers de gal.	\$'000 milliers de \$	\$/gal.		'000 gal. milliers de gal.	\$'000 milliers de \$	\$/gal.		'000 gal. milliers de gal.	\$'000 milliers de \$	\$/gal.	
United States - Etats-Unis												
1959	2,099	344	.16		185	178	.96		2,284	522	.23	
1960	1,146	203	.18		159	160	1.00		1,305	363	.28	
1961	252	98	.39		152	122	.80		404	220	.54	
1962	493	174	.35		246	126	.51		739	300	.41	
1963	'000 lb milliers de liv.	\$'000 milliers de \$	\$/cwt \$/qtl		'000 lb milliers de liv.	\$'000 milliers de \$	\$/cwt \$/qtl		'000 lb milliers de liv.	\$'000 milliers de \$	\$/cwt \$/qtl	
1964	26,426	650	2.46		9,261	285	3.07		35,687	934	2.62	
1965	17,225	295	1.71		10,764	293	2.72		27,990	588	2.10	
1966	17,903	309	1.72		10,053	256	2.54		27,957	564	2.02	
1967	8,343	165	1.98		8,349	221	2.65		16,692	387	2.32	
1968	10,805	219	2.03		8,775	295	3.36		19,581	513	2.62	
1969	6,403	217	3.40		6,918	273	3.95		13,321	491	3.68	
	2,318	61	2.63		..	..	..		..	..	..

(a) Prior to 1961, "Molasses and syrups n.o.p.", s.c. 700

a) Jusqu'en 1961, constituait c.s. 700 "Mélasse et sirops n.d.a."

Source: DBS Cat. Nos. 65-004 and 65-202 - BFS, Cat. nos 65-004 et 65-202

APPENDIX II

TARIFF HISTORY

TARIFF HISTORY

The histories of the tariff items within the terms of this Reference are unusually complicated. This brief general exposition is intended to assist in following the detailed histories of some of the items; it deals only with the coverage of the items and omits references to the trade agreements which figure so largely in the detailed histories. To avoid complicating this exposition, only the most important products covered by the items are mentioned; the details of the coverage and rates are given in the history of each item.

Sugar

From April 23, 1897 until November 30, 1906, tariff item 436 applied to sugar not above no. 16 Dutch standard (D.S.) in colour and tariff item 435, to sugar above no. 16 D.S. in colour and to refined sugars. After a series of changes in wording and rates arising mainly out of tariff negotiations and trade agreements, item 436 became existing item 13500-1, which relates mainly to sugar for refining, and item 435 became existing item 13400-1, which provides, generally, for refined sugar and sugar not covered by tariff item 13500-1. Tariff item 436 also provided for certain syrups of relatively high quality and for such low grade products as "tank bottoms" and "sugar concrete". Tariff item 436 was replaced by item 135, in 1906, at which time provision was made, in the new item, for molasses testing above 56° polarization.

An important revision occurred in 1921 when sugar above no. 16 D.S. for refining was included in item 135 and another, in 1926, when the item was amended to include sugar purchased in bond in Canada by a refiner. By the tariff revisions of April 6, 1955, the syrups and products other than sugar were made the subject of provisions in other items and the wording and rates became those of existing item 13500-1.

Tariff item 435, and its successor item 134, provided for all refined sugars and for sugar above no. 16 D.S., whether or not for refining, until 1921, when such sugar for refining was provided for in item 135. Until 1926, tariff item 134 continued to cover sugar above no. 16 D.S. purchased in bond in Canada; in 1926, the provisions regarding such purchases in bond by a refiner, for refining purposes only, were included in item 135. From April 16, 1926 to April 6, 1955, item 134 also included sugar syrups testing over 56°.

Molasses and Syrups

Although the tariff items described above relate mainly to sugar, sugar syrups exceeding 56° polarization were classified under item 134 from 1926 to 1955 and certain syrups and molasses were classified in item 135 from 1906 to 1955.

In 1897, molasses and syrups were classified under three principal items: item 436 (q.v. supra) applied to syrups which in 1906 became subject to item 135; item 441 applied to certain cane molasses; and item 440 was the residual item.

Item 436 was replaced by item 135 in 1906 (q.v. supra) and its coverage was enlarged to include molasses over 56° but not over 75°. The wording and coverage of item 135 remained essentially unchanged until 1955. In 1955, the syrups classified under item 135 were attracted mainly to the new item 136 (now 13600-1), 137 (now 13700-1) and 135a (now 13505-1).

In 1906, the molasses classified under items 440 and 441 was attracted to items 135, 136, 137 and 140. Item 135 included cane molasses over 56° but not over 75°; item 136 provided for cane molasses of 35° but not exceeding 56°, imported under the M.F.N. and General Tariffs; item 137 provided for cane molasses not exceeding 56° polarization, imported under the B.P. Tariff; and item 140 covered all beet molasses and syrups and, like its predecessor, item 440, was the residual item.

The tariff was amended in 1913 to provide for cane molasses testing less than 35° but not less than 20° polarization in a new item numbered 136a, attracting such molasses from items 137, 137a and 140. Item 136a eventually became an Extract of the later item 136, in 1958.

A change occurred when, in 1926, sugar syrups exceeding 56° polarization were included in item 134; this item attracted such syrups from item 140. Another important change was made in 1930, when separate provision was made, in an item numbered 135a, for invert sugar and syrups of cane or beets, not including molasses, when imported in bulk or in large containers (see history of item for details). This new item attracted goods from items 134 and 140.

The major revision of the relevant tariff items, in 1955, made the percentage of contained sugars relative to total solids a principal criterion of the classification of molasses and syrups. The five principal tariff items concerning the molasses and syrups of this Reference, introduced in 1955 or later, are tabulated below in very brief outline.

<u>Tariff Item</u> <u>(formerly)</u>	<u>Principal Products</u>	<u>Contained Sugars</u> <u>As % of</u> <u>Total Solids</u>
13600-1 ^(a)	(136) cane molasses, cane syrups	less than 71%
13650-1	beet molasses, beet syrups	less than 71%
13700-1	(137) molasses produced by evaporation & partial inversion of cane juice, for human consumption	no criterion
13505-1	(135a) invert sugar; cane & beet syrups when gross wt. of container & syrup exceeds 60 lbs.	71% or more
14000-1	(140) cane & beet syrups, n.o.p. ^(b)	71% or more

(a) The GATT Extract under item 13600-1 is not known to be used; it is given in the detailed history of the item

(b) Syrups imported in receptacles whose gross weight of receptacle and contents does not exceed 60 pounds are the only products known to be currently imported under this item

The tariff items of Reference 146 in their existing form are given first and followed by the various steps that led to their present form.

Tariff item 13400-1 (formerly 435 and 134)

"All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item 13500-1.

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
When not exceeding eighty-eight degrees of polarization per one hundred pounds	83 cts.	\$1.50	\$1.50
When exceeding eighty-eight degrees but not exceeding eighty-nine degrees per one hundred pounds	85 cts.	\$1.53	\$1.53
When exceeding eighty-nine degrees but not exceeding ninety degrees per one hundred pounds	87 cts.	\$1.55	\$1.55
When exceeding ninety degrees but not exceeding ninety-one degrees per one hundred pounds	89 cts.	\$1.58	\$1.58
When exceeding ninety-one degrees but not exceeding ninety-two degrees per one hundred pounds	91 cts.	\$1.62	\$1.62
When exceeding ninety-two degrees but not exceeding ninety-three degrees per one hundred pounds	93 cts.	\$1.65	\$1.65
When exceeding ninety-three degrees but not exceeding ninety-four degrees per one hundred pounds	95 cts.	\$1.68	\$1.68
When exceeding ninety-four degrees but not exceeding ninety-five degrees per one hundred pounds	97 cts.	\$1.70	\$1.70
When exceeding ninety-five degrees but not exceeding ninety-six degrees per one hundred pounds	99 cts.	\$1.74	\$1.74
When exceeding ninety-six degrees but not exceeding ninety-seven degrees per one hundred pounds	\$1.01	\$1.77	\$1.77
When exceeding ninety-seven degrees but not exceeding ninety-eight degrees per one hundred pounds	\$1.03	\$1.80	\$1.80

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
When exceeding ninety-eight degrees but not exceeding ninety-nine degrees per one hundred pounds	\$1.09	\$1.89	\$1.89
When exceeding ninety-nine degrees per one hundred pounds	\$1.09	\$1.89	\$1.89

"Refined sugar is entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.

"GATT

Ex. Sugar, produced from sugar cane or beets

"The Government of Canada undertakes, with respect to sugar dutiable under tariff items 13400-1 and 13500-1, not to impose rates of duty higher than those in effect on 1st July 1939, but reserves the right to revise the wording of the said tariff items, provided that under any such revised wording the over-all incidence of import duties and taxes shall not be greater than that in effect on 1st July 1939.

"Union of South Africa Trade Agreement ... British Preferential"

1897, April 23

Item 435: "All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards ... one cent per pound."

1898, April 6

Item 435: "All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, testing not more than eighty-eight degrees by the polariscope, one dollar and eight cents per one hundred pounds, and for each additional degree one and one-half cent per one hundred pounds. Fractions of five-tenths of a degree or less not to be subject to duty, and fractions of more than five-tenths to be dutiable as a degree."

1898, August 1

Amendments to the Customs Tariff provided:

"British Preferential Tariff. On articles entitled to the benefits of this preferential tariff ... the duty ... shall be three-fourths of the duty mentioned in Schedule A."

"Provided ... that the reduction shall only apply to refined sugar, when evidence satisfactory to the Minister of Customs is furnished that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies or possessions."

1900, July 1

An amendment to the Customs Tariff provided that

"On articles entitled to the benefits of this preferential tariff ... the duty ... shall be two-thirds of the duty mentioned in Schedule A."

1906, November 30

Item 134: "All sugar above number sixteen, Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, testing not more than eighty-eight degrees by the polariscope ... per one hundred pounds

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
November 30, 1906	72 cts.	98 cts.	\$1.08
May 13, 1913	72 cts.	93 cts.	93 cts.
August 21, 1914	\$1.52	\$1.93	\$1.93

And for each additional degree over eighty-eight degrees per one hundred pounds

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
November 30, 1906	1 ct.	1-1/3 cts.	1½ cts.
May 13, 1913	1 ct.	1-1/3 cts.	1-1/3 cts.
August 21, 1914	1 ct.	1-1/3 cts.	1-1/3 cts.

"Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that fractions of more than five-tenths shall be dutiable as a degree.

"Provided that refined sugar shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister of Customs that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise."

1913, June 2

Item 134: The West Indies Trade Agreement signed April 9, 1912, and in effect on June 2, 1913, provided that: on the goods enumerated, including the sugars of this item,

"the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country."

1921, May 10

Item 134: "All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item 135.

1921, May 10

1922, May 24

1923, May 12

<u>Degrees of Polarization</u>	<u>British Preferential</u>			<u>Intermediate and General</u>		
	<u>1921</u>	<u>1922</u>	<u>1923</u>	<u>1921</u>	<u>1922</u>	<u>1923</u>
		-	per one hundred pounds	-		
not exceeding 88	\$1.50	\$1.33	83 cts.	\$2.00	\$2.00	\$1.50
over 88 to 89	\$1.52	\$1.35	85 cts.	\$2.03	\$2.03	\$1.53
over 89 to 90	\$1.54	\$1.37	87 cts.	\$2.06	\$2.06	\$1.55
over 90 to 91	\$1.56	\$1.39	89 cts.	\$2.08	\$2.08	\$1.58
over 91 to 92	\$1.59	\$1.41	91 cts.	\$2.12	\$2.12	\$1.62
over 92 to 93	\$1.61	\$1.43	93 cts.	\$2.15	\$2.15	\$1.65
over 93 to 94	\$1.63	\$1.45	95 cts.	\$2.18	\$2.18	\$1.68
over 94 to 95	\$1.65	\$1.47	97 cts.	\$2.20	\$2.20	\$1.70
over 95 to 96	\$1.68	\$1.49	99 cts.	\$2.24	\$2.24	\$1.74
over 96 to 97	\$1.70	\$1.51	\$1.01	\$2.27	\$2.27	\$1.77
over 97 to 98	\$1.72	\$1.53	\$1.03	\$2.30	\$2.30	\$1.80
over 98 to 99	\$1.79	\$1.59	\$1.09	\$2.39	\$2.39	\$1.89
over 99	\$1.79	\$1.59	\$1.09	\$2.39	\$2.39	\$1.89

"Provided that refined sugar shall be entitled to enter under the British Preferential Tariff upon evidence satisfactory to the Minister ... that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions and not otherwise."

In this form the item gave effect to the West Indies Trade Agreement of 1921; at the same time the enactment of Tariff item 135 attracted from item 134 sugar above number sixteen Dutch standard in colour for refining purposes only.

1921, June 18

Item 134: The West Indies Trade Agreement, in effect on this date, provided that:

"The Customs Tariff of Canada shall be amended so as to provide that sugar above number 16 Dutch Standard in colour when imported by a recognized sugar refiner, for refining purposes only, upon evidence satisfactory to the Minister of Customs, shall not be subject to these duties, i.e. the duties on sugar over number 16 Dutch Standard, specified in item 134 of the Canadian Tariff.

"The Canadian Government failing the adoption of the polariscope standard for tariff classification, will use its best endeavours to establish a more stable colour standard than the present Dutch Standard.

"Provided that sugar as defined under item 134 shall receive a preference of not less than 25 per cent of the duty charged on foreign sugar."

1923, May 12 to 1959, April 10

Tariff item 134 included the following provision:

"Sugar imported under this item shall not be subject to special duty in excess of three-fourths of one cent per pound."

1925, October 1

By Order-in-Council, British Preferential Tariff rates under this item were extended to Australia.

1926, April 16

Item 134:

"All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item 135, and sugar syrups testing over fifty-six degrees of polarization."

The rate schedule effective May 12, 1923, remained unchanged. An amendment to tariff item 135 attracted from tariff item 134 "sugar above number sixteen Dutch standard in colour ... purchased in bond in Canada by a recognized sugar refiner for refining purposes only ..."

1927, April 30

In a new West Indies Trade Agreement, signed on July 6, 1925, and in force on April 30, 1927, Canada, as in the Agreement of 1921, undertook that:

"The Customs Tariff of Canada shall provide that sugar above number 16 Dutch standard in colour when imported by a recognized sugar refiner, for refining purposes only, upon evidence satisfactory to the Minister of Customs, shall not be subject to these duties, i.e. the duties on sugar over number 16, Dutch standard, specified in item 134 of the Canadian Tariff."

"Provided that sugar as defined under item 134 of the Customs Tariff of Canada shall receive a preference of not less than 25 per cent of the duty charged on foreign sugar."

1933, June 30

Under the Canada-South Africa Trade Agreement, signed August 20, 1932, the British Preferential rates, already applicable to South Africa, were bound, and Canada undertook that it would:

"... in regard to the goods enumerated in Schedule "A", [which included tariff item 134] maintain the margins of tariff concession represented by the difference between the rates accorded to the Union goods in that Schedule and the presently existing rates on similar goods when imported from any foreign country."

1950, January 1

1950, May 19

The M.F.N. rates under tariff items 134, 135 and 135b were bound under GATT.

134 "Ex. GATT

Sugar, produced from sugar cane or beets

"The Government of Canada undertakes, with respect to sugar dutiable under tariff items 134, 135 and 135b, not to impose rates of duty higher than those in effect on July 1, 1939, but reserves the right to revise the wording of the said tariff items, provided that under any such revised wording the over-all incidence of import duties and taxes shall not be greater than that in effect on July 1, 1939."

1955, April 6

Item 134: With the exception relating to the provision concerning special duty, the wording and rates coming into force on that date are the same as those now prevailing under item 13400-1 quoted at the beginning together with the GATT Extract of 1950 binding the M.F.N. rates.

1956, June 30 to 1959, April 10

Item 134: "Ex. GATT

Sugar, for use in the manufacture of
wine per one hundred pounds

B.P.

M.F.N.

\$.0109

\$.0189"

On April 10, 1959 this extract became tariff item 134a (now 13405-1) and the provision concerning special duty was deleted. (See 1923, May 12).

Tariff item 13405-1 (formerly 134a and 134 Ex. GATT)

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
13405-1 "Sugar, for use in the manu- facture of wine per one hundred pounds	\$.0109	\$.0189	\$1.89"

From June 30, 1956 to April 10, 1959, this provision was expressed as a GATT extract from tariff item 134 (now 13400-1) in the Office Consolidation of the Customs Tariff; on April 10, 1959, it became tariff item 134a (now 13405-1).

The history of drawback item 1050 (now 97050-1) should be noted as well.

Tariff item 13500-1 (formerly 436 and 135)

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
13500-1 "Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour, When not exceeding seventy- six degrees of polarization per one hundred pounds	<u>Cts.</u> 20.627	<u>Cts.</u> 70.851	<u>Cts.</u> 70.851
When exceeding seventy-six degrees but not exceeding seventy-seven degrees per one hundred pounds	20.647	73.213	73.213
When exceeding seventy-seven degrees but not exceeding seventy-eight degrees per one hundred pounds	20.667	75.574	75.574
When exceeding seventy-eight degrees but not exceeding seventy-nine degrees per one hundred pounds	20.687	77.936	77.936
When exceeding seventy-nine degrees but not exceeding eighty degrees per one hundred pounds	20.707	80.298	80.298

		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
13500-1 (con.)	When exceeding eighty degrees but not exceeding eighty- one degrees	<u>Cts.</u>		
	per one hundred pounds	20.727	82.659	82.659
	When exceeding eighty-one degrees but not exceeding eighty-two degrees			
	per one hundred pounds	20.747	85.021	85.021
	When exceeding eighty-two degrees but not exceeding eighty-three degrees			
	per one hundred pounds	20.767	87.383	87.383
	When exceeding eighty-three degrees but not exceeding eighty-four degrees			
	per one hundred pounds	20.857	90.040	90.040
	When exceeding eighty-four degrees but not exceeding eighty-five degrees			
	per one hundred pounds	20.947	92.697	92.697
	When exceeding eighty-five degrees but not exceeding eighty-six degrees			
	per one hundred pounds	21.036	95.353	95.353
	When exceeding eighty-six degrees but not exceeding eighty-seven degrees			
	per one hundred pounds	21.126	98.010	98.010
	When exceeding eighty-seven degrees but not exceeding eighty-eight degrees			
	per one hundred pounds	21.512	\$1.00963	\$1.00963
	When exceeding eighty-eight degrees but not exceeding eighty-nine degrees			
	per one hundred pounds	21.897	\$1.03915	\$1.03915
	When exceeding eighty-nine degrees but not exceeding ninety degrees			
	per one hundred pounds	22.872	\$1.07457	\$1.07457
	When exceeding ninety degrees but not exceeding ninety- one degrees			
	per one hundred pounds	23.848	\$1.11000	\$1.11000

		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
13500-1 (con.)	When exceeding ninety-one degrees but not exceeding ninety-two degrees per one hundred pounds	<u>Cts.</u> 24.823	\$1.14542	\$1.14542
	When exceeding ninety-two degrees but not exceeding ninety-three degrees per one hundred pounds	25.799	\$1.18085	\$1.18085
	When exceeding ninety-three degrees but not exceeding ninety-four degrees per one hundred pounds	26.762	\$1.21627	\$1.21627
	When exceeding ninety-four degrees but not exceeding ninety-five degrees per one hundred pounds	27.737	\$1.25170	\$1.25170
	When exceeding ninety-five degrees but not exceeding ninety-six degrees per one hundred pounds	28.712	\$1.28712	\$1.28712
	When exceeding ninety-six degrees but not exceeding ninety-seven degrees per one hundred pounds	29.688	\$1.32255	\$1.32255
	When exceeding ninety-seven degrees but not exceeding ninety-eight degrees per one hundred pounds	30.664	\$1.35798	\$1.35798
	When exceeding ninety-eight degrees but not exceeding ninety-nine degrees per one hundred pounds	31.64	\$1.47606	\$1.47606
	When exceeding ninety-nine degrees per one hundred pounds	35.606	\$1.47606	\$1.47606
	Note: (See extract shown under tariff item 13400-1)"			

1897, April 23

436 "Sugar, n.e.s., not above number sixteen Dutch standard in colour, sugar drainings, or pumpings drained in transit, melado or concentrated melado, tank bottoms and sugar concrete, one-half cent per pound; the usual packages in which imported to be free."

1898, April 6

436 "Sugar, n.e.s., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms and sugar concrete, testing not more than seventy-five degrees by the polariscope, forty cents per one hundred pounds, and for each additional degree one and one half cent per one hundred pounds. Fractions of five-tenths of a degree or less not to be subject to duty, and fractions of more than five-tenths to be dutiable as a degree. The usual packages in which imported to be free."

1898, August 1

Amendments to the Customs Tariff provided that:

"Raw sugar, including all sugar described in item 436 of Schedule A, may, when imported direct from any British colony or possession, be entered for duty or taken out of warehouse for consumption in Canada at the reduced rate of duty provided in the British Preferential Tariff."

"British Preferential Tariff. On articles entitled to the benefits of this preferential tariff ... the duty ... shall be three-fourths of the duty mentioned in Schedule A."

1900, July 1

An amendment to the Customs Tariff provided that:

"On articles entitled to the benefits of this preferential tariff ... the duty ... shall be two-thirds of the duty mentioned in Schedule A."

1906, November 30

135 "Sugar, n.o.p., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not more than seventy-five degrees by the polariscope.

	<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
per one hundred pounds	31½¢	45¢	52¢
And for each additional degree over seventy-five degrees per one hundred pounds	1¢	1-1/3¢	1½¢

"Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that a fraction of more than five-tenths shall be dutiable as a degree.

"Provided that all raw sugar, including sugar specified in this item, the produce of any British colony or possession, shall be entitled to entry under the British Preferential Tariff, when imported direct into Canada from any British colony or possession."

1913, May 13

The nomenclature of item 135 remained unchanged but, by amendment to the Customs Tariff, the rates of duty were changed and a proviso regarding special duty was added:

		<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
135	"per one hundred pounds	25¢	31 $\frac{1}{4}$ ¢	31 $\frac{1}{4}$ ¢
	And for each additional degree over seventy-five degrees per one hundred pounds	3 $\frac{3}{4}$ ¢	1 $\frac{1}{4}$ ¢	1 $\frac{1}{4}$ ¢

Provided that sugar entered under this item shall not be subject to special duty."

1913, June 2

The West Indies Trade Agreement, signed April 9, 1912, and in effect on June 2, 1913, provided that, on the goods enumerated, including the sugars of this item:

"the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country; provided:

"That on raw sugar not above No. 16 Dutch Standard in colour, and molasses testing over 56 degrees and not over 75 degrees by the polariscope, the preference in favour of the Colony shall not at any time be less than 4 $\frac{1}{2}$ cents per 100 lbs., and for each additional degree over 75 degrees the preference shall not be less than $\frac{1}{2}$ cent per 100 lbs.

"The Act of Parliament of Canada entitled An Act respecting duties of Customs, assented to on the 12th day of April, 1907, as amended by chapter 10 of the Acts of Parliament of Canada, 1909, shall ... be amended as follows:

"Tariff item 135c to be repealed.

"It is understood that the Canadian Customs Tariff item 135b shall not be affected by ... this agreement before the end of December, 1914, when the said tariff item expires, and that the said tariff item shall not be thereafter continued while this Agreement is in force."

Certain sugar which would otherwise have been entered under item 135 had previously been admissible under items 135a, 135b and 135c.

1914, August 21

Without change in nomenclature, the rates of tariff item 135 became:

		<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
135	"per one hundred pounds"	88¢	\$1.11 $\frac{1}{4}$	\$1.11 $\frac{1}{4}$
	"And for each additional degree over seventy-five degrees per one hundred pounds	3 $\frac{3}{4}$ ¢	1 $\frac{1}{4}$ ¢	1 $\frac{1}{4}$ ¢"

1921, May 10 Change in words and rates.

1923, May 12 Change in rates only.

135 "Sugar above number sixteen Dutch standard in colour, when imported by a recognized sugar refiner, for refining purposes only, under regulations by the Minister of Customs and Inland Revenue; and sugar, n.o.p., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not exceeding seventy-six degrees,

	<u>British</u> <u>Preferential</u>		<u>Intermediate and</u> <u>General</u>	
	<u>1921</u>	<u>1923</u>	<u>1921</u>	<u>1923</u>
	per one hundred pounds			
When not exceeding seventy six degrees of polarization	70¢	35¢	\$1.16080	81.08¢
When exceeding seventy-six degrees but not exceeding seventy-seven degrees	70.75¢	35.5¢	\$1.18366	83.116¢
When exceeding seventy-seven degrees but not exceeding seventy-eight degrees	71.5¢	36¢	\$1.20652	85.152¢
When exceeding seventy-eight degrees but not exceeding seventy-nine degrees	72.25¢	36.5¢	\$1.22938	87.188¢
When exceeding seventy-nine degrees but not exceeding eighty degrees	73¢	37¢	\$1.25224	89.224¢
When exceeding eighty degrees but not exceeding eighty- one degrees	73.75¢	37.5¢	\$1.27510	91.260¢
When exceeding eighty-one degrees but not exceeding eighty-two degrees	74.5¢	38¢	\$1.29796	93.296¢
When exceeding eighty-two degrees but not exceeding eighty-three degrees	75.25¢	38.5¢	\$1.32082	95.332¢
When exceeding eighty-three degrees but not exceeding eighty-four degrees	76¢	39¢	\$1.34560	97.560¢
When exceeding eighty-four degrees but not exceeding eighty-five degrees	76.75¢	39.5¢	\$1.37038	99.788¢
When exceeding eighty-five degrees but not exceeding eighty-six degrees	77.5¢	40¢	\$1.39516	\$1.02016
When exceeding eighty-six degrees but not exceeding eighty-seven degrees	78.25¢	40.5¢	\$1.41994	\$1.04244
When exceeding eighty-seven degrees but not exceeding eighty-eight degrees	79¢	41¢	\$1.44664	\$1.06664
When exceeding eighty-eight degrees but not exceeding eighty-nine degrees	79.75¢	41.5¢	\$1.47334	\$1.09084

	British Preferential		Intermediate and General	
	<u>1921</u>	<u>1923</u>	<u>1921</u>	<u>1923</u>
	per one hundred pounds			
When exceeding eighty-nine degrees but not exceeding ninety degrees	80.5¢	42¢	\$1.50388	\$1.11888
When exceeding ninety degrees but not exceeding ninety-one degrees	81.25¢	42.5¢	\$1.53442	\$1.14692
When exceeding ninety-one degrees but not exceeding ninety-two degrees	82¢	43¢	\$1.56496	\$1.17496
When exceeding ninety-two degrees but not exceeding ninety-three degrees	82.75¢	43.5¢	\$1.59550	\$1.20300
When exceeding ninety-three degrees but not exceeding ninety-four degrees	83.5¢	44¢	\$1.62604	\$1.23104
When exceeding ninety-four degrees but not exceeding ninety-five degrees	84.25¢	44.5¢	\$1.65658	\$1.25908
When exceeding ninety-five degrees but not exceeding ninety-six degrees	85¢	45¢	\$1.68712	\$1.28712
When exceeding ninety-six degrees but not exceeding ninety-seven degrees	85.75¢	45.5¢	\$1.71766	\$1.31516
When exceeding ninety-seven degrees but not exceeding ninety-eight degrees	86.50¢	46¢	\$1.74820	\$1.34320
Over ninety-eight degrees	87.25¢	46.5¢	\$1.83250	\$1.4250

"Provided that all raw sugar, including sugar specified in this item, the produce of any British Colony or possession, shall be entitled to entry under the British Preferential Tariff, when imported direct into Canada from any British country.

"Provided that sugar imported under this item shall not be subject to special duty."

1921, June 18

The rates which came into effect May 10, 1921, and those effective May 12, 1923, provided exactly the margin of preference for sugar specified in the West Indies Trade Agreement, signed June 18, 1920, and in effect from June 18, 1921.

The agreement also provided that,

"The Customs Tariff of Canada shall be amended so as to provide that sugar above number 16 Dutch Standard in colour when imported by a recognized sugar refiner, for refining purposes only, upon evidence satisfactory to the Minister of Customs, shall not be subject to ... the duties on sugar over number 16 Dutch Standard, specified in item 134 of the Canadian Tariff.

"The Canadian Government failing the adoption of the polariscope standard for tariff classification, will use its best endeavours to establish a more stable colour standard than the present Dutch Standard."

Prior to May 10, 1921, sugar above number 16 Dutch standard in colour imported by refiners was covered by tariff item 134.

1925, October 1

The Australian Trade Agreement, in Schedule II, extended the B.P. provisions of tariff item 135 to Australian goods imported directly into Canada, subject to the following provisos:

"Provided that the proportionate difference between the rates set out opposite the items enumerated in the schedule and the general tariff rates under the said items respectively shall at no time be less than it is at the time when the said abovementioned rates come into force.

"Provided further that any of the goods above enumerated in this schedule the produce or manufacture of Australia imported direct into Canada shall be entitled to the benefit of any reduction in duties or preference granted in respect of like goods imported from any British country."

1926, April 16

135 "Sugar above number sixteen Dutch Standard in colour, when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister of Customs and Excise; and sugar n.o.p., not above number sixteen Dutch Standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not exceeding seventy-six degrees,

	<u>B.P.</u> cts.	<u>M.F.N.</u> cts.	<u>General</u> cts.
When not exceeding seventy-six degrees of polarization per one hundred pounds	20.627	70.851	70.851
When exceeding seventy-six degrees but not exceeding seventy-seven degrees per one hundred pounds	20.647	73.213	73.213

	<u>B.P.</u> cts.	<u>M.F.N.</u> cts.	<u>General</u> cts.
When exceeding seventy-seven degrees but not exceeding seventy-eight degrees per one hundred pounds	20.667	75.574	75.574
When exceeding seventy-eight degrees but not exceeding seventy-nine degrees per one hundred pounds	20.687	77.936	77.936
When exceeding seventy-nine degrees but not exceeding eighty degrees per one hundred pounds	20.707	80.298	80.298
When exceeding eighty degrees but not exceeding eighty-one degrees per one hundred pounds	20.727	82.659	82.659
When exceeding eighty-one degrees but not exceeding eighty-two degrees per one hundred pounds	20.747	85.021	85.021
When exceeding eighty-two degrees but not exceeding eighty-three degrees per one hundred pounds	20.767	87.383	87.383
When exceeding eighty-three degrees but not exceeding eighty-four degrees per one hundred pounds	20.857	90.040	90.040
When exceeding eighty-four degrees but not exceeding eighty-five degrees per one hundred pounds	20.947	92.697	92.697
When exceeding eighty-five degrees but not exceeding eighty-six degrees per one hundred pounds	21.036	95.353	95.353
When exceeding eighty-six degrees but not exceeding eighty-seven degrees per one hundred pounds	21.126	98.010	98.010
When exceeding eighty-seven degrees but not exceeding eighty-eight degrees per one hundred pounds	21.512	\$1.00963	\$1.00963

	<u>B.P.</u> cts.	<u>M.F.N.</u>	<u>General</u>
When exceeding eighty-eight degrees but not exceeding eighty-nine degrees per one hundred pounds	21.897	\$1.03915	\$1.03915
When exceeding eighty-nine degrees but not exceeding ninety degrees per one hundred pounds	22.872	\$1.07457	\$1.07457
When exceeding ninety degrees but not exceeding ninety-one degrees per one hundred pounds	23.848	\$1.11000	\$1.11000
When exceeding ninety-one degrees but not exceeding ninety-two degrees per one hundred pounds	24.823	\$1.14542	\$1.14542
When exceeding ninety-two degrees but not exceeding ninety-three degrees per one hundred pounds	25.799	\$1.18085	\$1.18085
When exceeding ninety-three degrees but not exceeding ninety-four degrees per one hundred pounds	26.762	\$1.21627	\$1.21627
When exceeding ninety-four degrees but not exceeding ninety-five degrees per one hundred pounds	27.737	\$1.25170	\$1.25170
When exceeding ninety-five degrees but not exceeding ninety-six degrees per one hundred pounds	28.712	\$1.28712	\$1.28712
When exceeding ninety-six degrees but not exceeding ninety-seven degrees per one hundred pounds	29.688	\$1.32255	\$1.32255
When exceeding ninety-seven degrees but not exceeding ninety-eight degrees per one hundred pounds	30.664	\$1.35798	\$1.35798
Over ninety-eight degrees per one hundred pounds	35.606	\$1.47606	\$1.47606
Provided that sugar imported under this item shall not be subject to special duty."			

1927, April 30

The West Indies Trade Agreement, signed July 6, 1925, and in force on April 30, 1927, established the schedule of preferences introduced on April 16, 1926, for sugars exceeding 82° polarization; for sugars of lower polarizations the schedule of preferences was as follows.

<u>Degrees of Polarization</u>	<u>Preference, in dollars per 100 pounds</u>
"Not exceeding 76 degrees	\$0.48647
Exceeding 76 and not exceeding 77	0.51214
Exceeding 77 and not exceeding 78	0.53781
Exceeding 78 and not exceeding 79	0.56348
Exceeding 79 and not exceeding 80	0.58915
Exceeding 80 and not exceeding 81	0.61482
Exceeding 81 and not exceeding 82	0.64049"

The Agreement also stated:

"The Customs Tariff of Canada shall provide that sugar above number 16 Dutch standard in colour when imported by a recognized sugar refiner, for refining purposes only, upon evidence satisfactory to the Minister of Customs, shall not be subject to ... the duties on sugar over number 16 Dutch standard, specified in item 134 of the Canadian Tariff."

1931, August 3

Australian Trade Agreement of 1931

Ex. 135 "Sugar, above No. 16 Dutch standard in colour, when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, when exceeding 98 degrees, but not exceeding 99 degrees polarization 31.64 cents per 100 lbs."

Canada also agreed to maintain the margin of preference thus created.

1931, August 22

By order-in-council the rate agreed to in the Australian Agreement of 1931 was extended to all British Preferential countries.

1932, October 13 to 1955, April 6

The extension of the rate in the Australian Trade Agreement to all British Preferential countries was incorporated into the Customs Tariff, by statute, as tariff item 135b in the same terms as the extract of 1931, August 3, from tariff item 135.

1933, June 30

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rates under tariff items 135 and 135b to South Africa and undertook to maintain the margins of preference thus established.

1942, April 1

Under the War Measures Act, P.C. 6582 (1942), goods specified in tariff items 135 and 135b were exempted from customs duties from April 1, 1942 to March 31, 1947, when the War Measures Act ceased to apply.

1947, April 1

By P.C. 884 (1947), the exemption of P.C. 6582 (1942) was limited to the goods specified in items 135 and 135b when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, or when imported for use in Canadian manufactures; these continued to be exempt from customs duties.

1947, November 3

P.C. 884 (1947) was revoked by P.C. 4495 (1947).

1948, January 1, GATT
and

1950, May 19, GATT

Ex. 134 "Sugar, produced from sugar cane or beets.

The Government of Canada undertakes, with respect to sugar dutiable under tariff items 134, 135 and 135b, not to impose rates of duty higher than those in effect on July 1, 1939, but reserves the right to revise the wording of the said tariff items, provided that under any such revised wording the over-all incidence of import duties and taxes shall not be greater than that in effect on July 1, 1939."

1955, April 6

Item 135 was amended to exclude liquid sugars and molasses. At the same time, the provision in tariff item 135b, for sugar exceeding 98° but not exceeding 99° polarization was incorporated into this item and item 135b was deleted.

135 "Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour."

The rate schedule up to and including sugar "not exceeding 98°" polarization was identical with that introduced on April 16, 1926.

	<u>B.P.</u> cts.	<u>M.F.N.</u>	<u>General</u>
"When exceeding ninety-eight degrees but not exceeding ninety-nine degrees per one hundred pounds	31.64	\$1.47606	\$1.47606
When exceeding ninety-nine degrees per one hundred pounds	35.606	\$1.47606	\$1.47606"

The note respecting the GATT extract of 1948, January 1 and 1950, May 19, was amended to delete the reference to tariff item 135b and the extract of 1931, August 3, from item 135 was reintroduced into the Office Consolidation of the Customs Tariff to note the provisions of the Australian Trade Agreement of 1931.

1959, April 10

By amendment to the Customs Tariff, the proviso that "sugar imported under this item shall not be subject to special duty" was deleted.

Tariff item 13500-1, in its present form is reproduced in full at the beginning of the Tariff history of this item.

Tariff item 13500-2 (formerly Ex. 135)

1960, June 30

Ex. 135 "Australian Trade Agreement

Sugar above No. 16 Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, when exceeding ninety-eight degrees, but not exceeding ninety-nine degrees polarization
..... per 100 lb. 31.64 cts.

Union of South Africa Trade Agreement
..... British Preferential"

This provision records the Australian Trade Agreement, signed February 12, 1960, replacing the agreement in effect from August 3, 1931; the agreement also bound the margin of preference at \$1.15966 per one hundred pounds; it further records the Union of South Africa Trade Agreement extending British Preference to that country.

Tariff item 135a

1906, November 30 to 1909, April 21, when replaced by tariff item 135b

135a "Raw sugar as described in tariff item 135, when imported to be refined in Canada by Canadian sugar refiners, to the extent of twice the quantity of sugar refined during the calendar years 1906, 1907 and 1908 by such refiners from sugar produced in Canada from Canadian beet-root under regulations by the Minister of Customs.

	<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
per one hundred pounds, testing not more than seventy-five degrees by the polariscope	31½¢	31½¢	31½¢
And per one hundred pounds for each additional degree over seventy-five degrees	1¢	1¢	1¢

"This item to expire December 31, 1909

"Provided that sugar under this item shall not be subject to special duty."

1913, May 13 to 1914, August 21

135a "Raw sugar as described in tariff item 135, when imported to be refined in Canada by Canadian sugar refiners, to the extent of the quantity of sugar refined during the calendar years 1912 and 1913, by such refiners from sugar produced in Canada from Canadian beet-root under regulations by the Minister of Customs.

per one hundred pounds, testing not more than seventy-five degrees by the polariscope	25¢	25¢	25¢
And per one hundred pounds for each additional degree over seventy-five degrees	¾¢	¾¢	¾¢

"Provided that sugar imported under this item shall not be subject to special duty.

"This item to expire December 31, 1914."

1914, August 21 to 1914, December 31

Change in rates only to:

	<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
135a			
"per one hundred pounds, testing not more than seventy-five degrees by the polariscope	88¢	88¢	88¢
And per one hundred pounds for each additional degree by the polariscope	$\frac{3}{4}$ ¢	$\frac{3}{4}$ ¢	$\frac{3}{4}$ ¢ "

Tariff item 135b (1909-1913)

1909, April 21 to 1913, May 13, when replaced by tariff item 135a.

135b "Raw sugar as described in tariff item 135 when imported to be refined in Canada by Canadian sugar refiners, to the extent of twice the quantity of sugar refined during the calendar years 1909, 1910 and 1911 by such refiners from sugar produced from Canadian beet root, and an equal quantity of sugar to that refined during the calendar years 1912 and 1913 by such refiners from sugar produced in Canada from Canadian beet root -- the whole under regulations by the Minister of Customs --

	<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
per one hundred pounds, testing not more than seventy-five degrees by the polariscope	31 $\frac{1}{2}$ ¢	31 $\frac{1}{2}$ ¢	31 $\frac{1}{2}$ ¢
And per one hundred pounds for each additional degree over seventy-five degrees	1¢	1¢	1¢

"Provided that sugar under this item shall not be subject to special duty.

"This item to expire December 31, 1914."

Tariff item 135b (1932-1955)

See text of history of tariff item 135 under 1932, October 13 and under 1955, April 6.

Tariff item 135c1909, April 21 to 1913, May 13

"Raw sugar as described in tariff item 135, when imported to be refined in Canada by any sugar refining company not engaged in refining sugar from the product of the Canadian beet-root, to the extent of one-fifth of the weight of sugar refined from raw sugar by such refining company in Canada during the calendar year in which raw sugar is imported -- under regulations by the Minister of Customs.

	<u>B.P.</u>	<u>Intermediate</u>	<u>General</u>
per one hundred pounds testing not more than seventy-five degrees by the polariscope	31½¢	31½¢	31½¢
And per one hundred pounds for each additional degree over seventy-five degrees	1¢	1¢	1¢

Provided that sugar imported under this item shall not be subject to special duty."

The West Indies Trade Agreement, in force June 2, 1913, provided for the repeal of item 135c.

Tariff item 13505-1 (formerly 135a)

"Invert sugar, and syrups the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, in which the percentage of the total of reducing sugars after inversion is seventy-one per cent or greater of the total solids by weight, not including syrups in receptacles of such size that the gross weight of the receptacle and contents does not exceed 60 pounds:

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
"When the total of reducing sugars after inversion is equivalent to not more than sixty-five per cent by weight of the total syrup			
per one hundred pounds	68¢	\$1.23	\$1.23
"When the total of reducing sugar after inversion is equivalent to more than sixty-five per cent, but not more than seventy per cent by weight of the total syrup			
per one hundred pounds	74¢	\$1.33	\$1.33

B.P. M.F.N. General

"When the total of reducing sugars after inversion is equivalent to more than seventy per cent by weight of the total syrup

per one hundred pounds 83¢ \$1.50 \$1.50"

This item is subject to the provisions of Section 9 of the Customs Tariff:

"Notwithstanding anything in this Act, goods other than tobacco, cigars, cigarettes, spirituous or alcoholic liquors and articles specified in Schedule A of The West Indies Trade Agreement Act, Chapter 16 of the Statutes of Canada, 1926, the produce or manufacture of British Honduras, Bermuda, the Bahamas, Jamaica, Turks and Caicos Islands, the Leeward Islands (Antigua, St. Christopher-Nevis, Dominica, Montserrat and the Virgin Islands), the Windward Islands (Grenada, St. Vincent and St. Lucia), Barbados, Trinidad and Tobago, and British Guiana, when imported direct therefrom, are not subject at any time to more than fifty per cent of the duties imposed on similar goods as set forth in the General Tariff under regulations by the Minister. 1931, c. 30, s.1"

1930, May 2

135a "Invert sugar, and syrups the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, not including molasses and not including syrups in receptacles of such size that the gross weight of receptacle and contents does not exceed sixty pounds:

B.P. M.F.N. General

"When the total of reducing sugars after inversion is equivalent to more than fifty-six per centum, but not more than sixty-five per centum of invert sugar

per one hundred pounds 68¢ \$1.23 \$1.23

"When the total of reducing sugars after inversion is equivalent to more than sixty-five per centum, but not more than seventy per centum of invert sugar

per one hundred pounds 74¢ \$1.33 \$1.33

"When the total of reducing sugars after inversion is equivalent to more than seventy per centum of invert sugar

per one hundred pounds 83¢ \$1.50 \$1.50"

This item was introduced as a result of the inquiry by the Advisory Board on Tariff and Taxation in its Reference 147 - Invert Sugar Syrups; it covered products previously classified in tariff items 134 and 140 or as unenumerated goods under tariff item 711.

1933, June 30

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rates under item 135a to South Africa and undertook to maintain the margins of preference thus established.

1955, April 6

Item 135a introduced on this date has not since been changed; it has since covered certain syrups formerly classifiable under items 134, 135, 136 and 137 because of amendments to these items.

Tariff item 13600-1 (formerly 136)

"Syrups, the product of the sugar cane, in which the percentage of the total of reducing sugars after inversion is less than seventy-one per cent of the total solids by weight

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per gallon	Free	1 ct.	1½ cts."

"Ex. GATT

Molasses of cane, testing by polariscope under thirty-five degrees but not less than twenty degrees

per gallon 1 ct."

1897, April 23

Tariff item 634 (free list)

"Molasses, second process, or molasses derived from the manufacture of "molasses sugar", testing by polariscope less than 35 degrees, when imported by manufacturers of blacking, for use in their own factories, in the manufacture of blacking, -- conditional that the importers shall, in addition to making oath at the time of entry that such molasses is imported from such use and will not be used for any other purpose, cause such molasses to be at once mixed in a proper tank made for the purpose with at least one-fifth of the quantity thereof of cod or other oil, whereby such molasses may be rendered unfit for any other use, such mixing to be done in the presence of a Customs officer at the expense of the importer, and under such further regulations as are from time to time considered necessary in the interest and for the protection of the revenue, and that until such mixing is done and duly certified on the face of the entry thereof by such Customs officers the entry shall be held to be incomplete and the molasses subject to the usual rate of duty as when imported for any other purpose."

In the Customs Tariff of 1897, the other products of existing item 13600-1 were generally under item 440, although some may have been under items 436 and 441.

1899, August 19

Certain products of item 440 were transferred to the free list:

"By Order in Council of the 19th of August, 1899, syrup or molasses of cane or beet, testing under 35 degrees by the polariscope, for use in the manufacture of compressed food for live stock, when imported by the manufacturers of such food, to be used for such manufacture only in their own factories, was transferred to the list of goods which may be imported free of duty."

1906, November 30

Tariff item 137a

"Molasses of cane, testing under thirty-five degrees by polariscope, when imported for use exclusively in the manufacture of compressed food for live stock"

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Free	Free	Free

Except as provided for in this new item 137a, the goods covered by item 634 and the order-in-council of August 19, 1899, became dutiable under tariff items 137 and 140. Item 137a was repealed May 13, 1913.

1913, May 13

Tariff item 136a

"Molasses of cane, testing by polariscope under thirty-five degrees but not less than twenty degrees

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per gallon	Free	1½ cts.	1½ cts."

This item covered goods previously classified under items 137a and 140.

1913, June 2

The West Indies Trade Agreement, signed April 9, 1912 and in effect on June 2, 1913, provided that:

"On all goods enumerated in Schedule B, being the produce or manufacture of any of the above-mentioned Colonies, imported into the Dominion of Canada, the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country; provided: ...

"The Act of Parliament of Canada entitled An Act respecting duties of Customs, assented to on the 12th day of April, 1907, as amended by chapter 10 of the Acts of Parliament of Canada, 1909, shall, in addition to the amendments necessary to give effect to the foregoing provision of this section, be amended as follows:- ...

Tariff item 137a to be repealed."

"Schedule B"

"Sugar, molasses and syrups".

1921, June 18

Item 136a became subject to Article II of The West Indies Trade Agreement, signed June 18, 1920:

"Subject to the special provisions of Article III, the duties of Customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada, which are now subject to duty or which may be made subject to duty at any future time, shall not at any time be more than fifty (50) per cent of the duties imposed on similar goods when imported from any foreign country."

1927, April 27

Item 136a became subject to Article I of the West Indies Trade Agreement, signed July 6, 1925.

"Subject to the provisions of The Customs Tariff, 1907, and to the provisions of Article II hereof, the duties of customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada which are now subject to duty or which may be made subject to duty at any future time shall not at any time be more than fifty per cent of the duties imposed on similar goods under the General Tariff of Canada."

1933, June 30

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rate to South Africa and undertook to maintain the margin of preference thus established for item 136a."

1950, May 19

136a

GATT

M.F.N.

1 ct.

1955, April 6

Item 136a was repealed and replaced by item 136 (wording and rates of existing item 13600-1); the new item 136 also attracted some goods from former items 136 and 137.

1958, Feb. 7

The G.A.T.T. Extract was added to the Office Consolidation of the Customs Tariff to reflect the binding in 1950 and the re-negotiation of the 1933 commitment to South Africa.

Tariff item 13650-1

"Syrups, the product of the sugar beet, in which the percentage of the total reducing sugars after inversion is less than seventy-one per cent of the total solids by weight

		<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
	per gallon	1 ct.	1 ct.	7 cts.
January 1, 1968	per gallon	4 cts.	5 cts.	7 cts.
January 1, 1969	per gallon	3 cts.	3½ cts.	7 cts.

This item was introduced on January 1, 1968, covering certain products previously under tariff item 14000-1, to give effect to a concession under the Kennedy Round; the present rates have been in effect since June 4, 1969.

Tariff item 13700-1 (formerly 137)

"Molasses, produced by the evaporation and partial inversion of the juice of the sugar cane, in which the percentage of sulphated ash is not more than nine per cent by weight, for human consumption only

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per gallon	Free	1 ct.	1½ cts."

1897, April 23

441 "Molasses produced in the process of the manufacture of cane sugar from the juice of the cane without any admixture with any other ingredient, when imported in the original package in which it was placed at the point of production and not afterwards subject to any process of treating or mixing, the package in which imported, when of wood, to be free, --

"(a) Testing by polariscope forty degrees or over, one and three-fourth cents per gallon

"(b) When testing by polariscope less than forty degrees and not less than thirty-five degrees, one and three-fourth cents per gallon, and in addition thereto one cent per gallon for each degree or fraction of a degree less than forty degrees."

Other products now classified under tariff item 13700-1 were then dutiable under items 436 and 440.

1898, Aug. 1

An amendment to the Customs Tariff provided that:

"British Preferential Tariff. On articles entitled to the benefits of this preferential tariff ... the duty ... shall be three-fourths of the duty mentioned in Schedule A."

1900, July 1

An amendment to the Customs Tariff provided that:

"On articles entitled to the benefits of this preferential tariff ... the duty ... shall be two-thirds of the duty mentioned in Schedule A."

1904, June 8: Section 18 of "An Act to amend the Customs Tariff, 1897".

"Molasses, the produce of any British country entitled to the benefits of the British Preferential Tariff, when produced from sugar-cane and imported direct by vessel from the country of production, in the original package in which it was placed at the point of production, and not afterwards subjected to any process of treating or mixing, shall be free of duty; the package also to be free: Provided, however, that the said molasses may be transferred in bond under excise regulations for purposes of distillation, and that molasses admitted to entry under item 441 in schedule A shall be imported direct from the place of production (or its shipping port) under regulations made by the Minister of Customs."

1906, November 30

136 "Molasses produced in the process of the manufacture of cane sugar from the juice of the cane without any admixture with any other ingredient, when imported direct from the place of production or its shipping port, in the original package in which it was placed at the point of production and not afterwards subjected to any process of treating or mixing, testing by the polariscope not less than thirty-five degrees nor more than fifty-six degrees, under regulations prescribed by the Minister of Customs

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per gallon	...	2½ cts.	3 cts."

- 137 "Molasses, testing not more than fifty-six degrees by the polariscope, the produce of any British country entitled to the benefits of the British Preferential Tariff, when produced from sugar-cane and imported direct by ship from the country of production, or from any British country, in the original package in which it was placed at the point of production, and not afterwards subjected to any process or treating or mixing

<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
Free

"Provided, however, that the said molasses may be transferred in bond under excise regulations for purposes of distillation."

In the tariff revisions of 1906, other molasses previously classifiable under item 441 or meeting the requirements of the 1904 provision, became dutiable under tariff item 135.

1913, June 2

The West Indies Trade Agreement provided that:

"On the goods enumerated in Schedule B, being the produce or manufacture of any of the above mentioned Colonies, imported into the Dominion of Canada, the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country."

"Schedule B"

"Sugar, molasses and syrup".

1921, June 18

Items 136 and 137 became subject to Article II of the West Indies Trade Agreement, signed June 18, 1920:

"Subject to the special provisions of Article III, the duties of Customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada, which are now subject to duty or which may be made subject to duty at any future time, shall not at any time be more than fifty (50) per cent of the duties imposed on similar goods when imported from any foreign country."

1927, Apr. 27

These items became subject to Article I of the West Indies Trade Agreement, signed July 6, 1925:

"Subject to the provisions of The Customs Tariff, 1907, and to the provisions of Article II' hereof, the duties of customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada which are now subject to duty or which may be made subject to duty at any future time shall not at any time be more than fifty per cent of the duties imposed on similar goods under the General Tariff of Canada."

1933, June 30

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rates in relation to items 136 and 137, to South Africa, and undertook to maintain the margin of preference thus establishes.

1955, April 6

Item 137 was introduced with its existing wording and rates; it provided for products previously classified under items 135, 136 and 137. The binding to South Africa was re-negotiated.

Tariff item 13705-1 (formerly 137a)

"Molasses powder, without admixture or with added colouring or anti-caking agent

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per one hundred pounds	35 cts.	45 cts.	50 cts."

This item is subject to the provisions of Section 9 of the Customs Tariff quoted above in full in the history of tariff item 13505-1.

1956, March 21

137a "Molasses powder, without admixture or mixed only with any necessary anti-caking agent

	<u>B.P.</u>	<u>M.F.N.</u>	<u>General</u>
per one hundred pounds	35 cts.	45 cts.	50 cts."

The 1956 amendment re-introduced the rates applicable to this product prior to April 6, 1955 under tariff item 140. In the interim, it was classified as unenumerated goods under tariff item 711. Prior to the 1957 amendment, molasses powder with an added colouring agent was also under tariff item 711. This item has been unchanged since March 15, 1957.

Tariff item 14000-1 (formerly 440 and 140)

"Syrup, the product of the sugar cane or beet, and all imitations thereof or substitutes therefor, n.o.p.

B.P. M.F.N. General

per gallon 5 cts. 6½ cts. 7 cts."

This item is subject to the provisions of Section 9 of the Customs Tariff quoted above in full in the history of tariff item 13505-1.

1897, April 23

440 "Syrups and molasses of all kinds, n.o.p., the product of the sugar cane or beet, n.e.s., and all imitations thereof or substitutes therefor, three-fourths of one cent per pound."

1898, August 1

An amendment to the Customs Tariff provided:

"British Preferential Tariff. On articles entitled to the benefits of this preferential tariff ... the duty ... shall be three-fourths of the duty mentioned in Schedule A."

1900, July 1

An amendment to the Customs Tariff provided:

"On articles entitled to the benefits of this preferential tariff ... the duty ... shall be two-thirds of the duty mentioned in Schedule A."

1906, November 30

140 "Syrups and molasses of all kinds, the product of the sugar-cane or beet, n.o.p., and all imitations thereof or substitutes therefor

B.P. M.F.N. General

per one hundred pounds 35 cts. 45 cts. 50 cts."

1913, June 2

The West Indies Trade Agreement provided that:

"On the goods enumerated in Schedule B, being the produce or manufacture of any of the above mentioned Colonies, imported into the Dominion of Canada, the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country."

"Schedule B"

"Sugar, molasses and syrups".

1921, June 18

Item 140 became subject to Article II of the West Indies Trade Agreement, signed June 18, 1920:

"Subject to the special provisions of Article III, the duties of Customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada, which are not subject to duty or which may be made subject to duty at any future time, shall not at any time be more than fifty (50) per cent of the duties imposed on similar goods when imported from any foreign country."

1927, April 27

This item became subject to Article I of the West Indies Trade Agreement, signed July 6, 1925:

"Subject to the provisions of The Customs Tariff, 1907, and to the provisions of Article II hereof, the duties of customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada which are now subject to duty or which may be made subject to duty at any future time shall not at any time be more than fifty per cent of the duties imposed on similar goods under the General Tariff of Canada."

1933, June 10

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rate to South Africa and undertook to maintain the margin of preference thus established for item 140.

1955, April 6

The existing words and rates were introduced as item 140.

Tariff item 14005-1 (formerly 140a)

B.P. M.F.N. General

"Shredded sugar cane

12½ p.c. 17½ p.c. 17½ p.c."

This item is subject to the provisions of Section 9 of the Customs Tariff quoted above in full in the history of tariff item 13505-1.

1913, May 13

This item was introduced with its existing wording and rates; the product had previously been classified as unenumerated goods under tariff item 711.

1913, June 2

The West Indies Trade Agreement provided that:

"On the goods enumerated in Schedule B, being the produce or manufacture of any of the above mentioned Colonies, imported into the Dominion of Canada, the duties of Customs shall not at any time be more than four-fifths of the duties imposed on similar goods when imported from any foreign country."

"Schedule B"

"Shredded sugar cane".

1921, June 18

This item became subject to Article II of the West Indies Trade Agreement, signed June 18, 1920:

"Subject to the special provisions of Article III, the duties of Customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada, which are now subject to duty or which may be made subject to duty at any future time, shall not at any time be more than fifty (50) per cent of the duties imposed on similar goods when imported from any foreign country."

1927, Apr. 27

This item became subject to Article I of the West Indies Trade Agreement, signed July 6, 1925:

"Subject to the provisions of The Customs Tariff, 1907, and to the provisions of Article II hereof, the duties of customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the Colonies aforesaid imported into Canada which are now subject to duty or which may be made subject to duty at any future time shall not at any time be more than fifty per cent of the duties imposed on similar goods under the General Tariff of Canada."

1933, June 30

Under the Union of South Africa Trade Agreement, Canada bound the B.P. rate to South Africa and undertook to maintain the margin of preference thus established.

Drawback Item 97050-1 (formerly 1050)Rate of Drawback

"Raw sugar, imported other than under the General Tariff	When used by a recog- nized sugar refinery in the production of refined sugar used in the manufacture of wine	99%"
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1910, June 10

Order in Council, P.C. 1201, dated June 7, 1910 provided:

"When imported sugar on which duties have been paid is used in the manufacture of wine produced from the juice of the grape, there may be allowed a drawback of 99 per centum of the duties paid on the sugar used in the manufacture of the said wine; provided, however, that such drawback shall not be paid unless the duty has been paid on the sugar so used as aforesaid within three years of the date of the manufacture of the said wine, nor unless the claims as presented by a manufacturer at any one time aggregate ten dollars."

1913, May 13

In conjunction with the tariff changes effective on this date, the Department of Customs Memo. 1739-B stated:

"... in view of the Trade Agreement with the West Indies, that the above drawback is not payable in respect of any raw sugar, except raw sugar produced in a British country."

1926, April 16Drawback Item 1050Rate of Drawback

"Sugar	When used in the manu- facture of loganberry wine, Provided that drawback shall not be payable in respect of any raw sugar, except sugar produced in a British country	99 p.c."
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1931, June 2

"Schedule B to the Customs Tariff ... is amended by striking thereout tariff items ... 1050 ... and by repealing Order in Council, P.C. 1201, dated the seventh day of June, one thousand nine hundred and ten, and by inserting the following items, enumerations and rates of drawback of customs duty in said Schedule B:

Rate of Drawback

1050 "Sugar, viz: Raw sugar produced in the British Empire, or sugar refined in Canada from raw sugars produced in the British Empire	When used in the manufacture of wine in Canada
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99%"

1956, June 30 to 1959, April 10. GATT

Sugar for use in the manufacture of wine was specifically provided for in an extract of tariff item 134.

1956, July 1

Order in Council, P.C. 1956-943, dated June 21, 1956

Rate of Drawback

1051 "Raw sugar, imported other than under the General Tariff during the period July 1, 1956 to June 30, 1957	When used by a recognized sugar refinery in the production of refined sugar used in the manufacture of wine
---	---

99%"

1957, March 15

Existing item 97050-1 (then numbered 1050) was introduced, replacing item 1050 of June 2, 1931.

1957, April 25

Order in council, P.C. 1957-583, dated April 25, 1957

"Item 1051 set out in Schedule B to Order in Council, P.C. 1956-943 of 21st June, 1956 is revoked."



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